

Higher Education Funding Council for Wales Annual report and accounts

For the 16 months ended 31 July 2024

Annual report and accounts

Contents

	Page
Performance report	
Overview	
Accounting Officer's statement on performance	3
About HEFCW	4
Key developments in period	4
Performance for the period – overview	9
Corporate strategy	9
Business Plan 2023-24 outcomes	10
Financial overview	10
Expected future developments	11
Going concern	11
Performance analysis	
Corporate strategy objectives and performance	12
Financial analysis	12
Sustainability	13
Accountability report	
Corporate governance report	
Directors' report	14
Statement of Accounting Officer's responsibilities	16
Governance statement	18
Remuneration and staff report	
Directors' remuneration policy and remuneration committee	27
Remuneration (including salary) and pension entitlements	28
Fair pay disclosures	33
Staff report	34
The Certificate and Report of the Auditor General for Wales to the Senedd	42
Financial statements	46

In this document financial year is shown as 2023-24 (April – March) and academic year is shown as AY 2022/23 or AY 2023/24 (August – July)

Performance report

Overview

Accounting Officer's statement on performance

This is our final report as the Higher Education Funding Council for Wales (HEFCW) before we close on 31 July 2024. Our responsibilities and staff transfer to Medr, the new brand name for the Commission for Tertiary Education and Research, from 1 August 2024.

In our previous annual report and accounts for 2022-23, we were working towards an operational date of 1 April 2024 for the new Commission. In January 2024, the Minister for Education and Welsh Language announced that the planned date for the Commission to become fully operational had been moved from 1 April to 1 August 2024. This provided the Welsh Government with more time to deliver the legislation project needed to enable Medr to deliver its functions. As a consequence, HEFCW's dissolution was deferred from 31 March to 31 July 2024.

Following discussions with the Welsh Government and Audit Wales, it was agreed that this final Annual Report and Accounts would cover a 16 month period, from 1 April 2023 to 31 July 2024. This Report will ultimately be signed off by Medr, after being considered by the HEFCW Council in its final meeting in July 2024.

We have continued to deliver normal HEFCW business whilst also winding down HEFCW systems and processes. Added to that, all staff have engaged with the work of developing the new Commission, from attending staff information sessions through to working closely within the Medr establishment team and developing systems and processes for the new organisation.

We have been continuing to develop policies and carry out research that Medr will be able to use in its own work in the future. This included a study that looked at higher education delivery in Wales and the costs of delivery for Welsh medium courses.

While our Graduate Support Fund, which provided employability support, came to an end, we funded university partners to launch a new employability hub for students. We published a report on the experience of postgraduate students, and we piloted a Student Voice Forum to inform how Medr could ensure that the voices of all learners across the post-16 sector can be appropriately heard in its decision-making. Our Reaching Wider programme branched out to include a mentoring scheme between learners in the most disadvantaged areas in Wales, and students.

We provided guidance on tackling violence against women, sexual abuse and domestic violence, and published race equality guidance and funding to support this agenda. We have been working with the four UK higher education funding bodies to prepare for the next Research Excellence Framework in 2029. We also mapped civic mission activity across the higher education sector in order to inform how Medr could take forward its strategic duty in this area.

We continued to support institutions to comply with their regulatory expectations and deliver for students, and with our ongoing engagement with institutions through both risk and assurance reviews.

Higher Education Funding Council for Wales

This was our final opportunity to thank HEFCW's staff. Not only for their ongoing engagement with significant changes in the workplace, while the workload pressures continued; but also for all their professionalism and high standards in delivering our priorities as HEFCW. We continued to support them as they moved into Medr.

About HEFCW

The Higher Education Funding Council for Wales – HEFCW – is the public body operating between the 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, research and innovation, and apply our influence and expertise to help deliver the 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. At the end of the period covered by this report, HEFCW has a full-time equivalent staff resource of 54 divided into four directorates, each headed by a member of the Management Board.

Key developments in year

Tertiary Education and Research (Wales) Act and Commission for Tertiary Education and Research transition arrangements

Following the introduction of the Tertiary Education and Research (Wales) Act in September 2022, the Commission was formally established on 4 September 2023 with the appointment of its Chief Executive and the remaining board members. The Commission unveiled its new brand name Medr in May 2024. We have during this time continued to work with the Welsh Government to support both Welsh Government and Medr, to enable Medr to be operational from 1 August 2024. This has involved HEFCW staff supporting the design of and testing of new IT systems, as well as being members of the Medr establishment team. This has been supported by a protocol between Medr, HEFCW and Welsh Government, providing clarity on responsibilities and ways of working during the transition period when the three organisations are operating in parallel.

During the 16 month period covered by this report, we continued to implement HEFCW's project to enable the transfer of staff and assets to Medr as well as the closure of HEFCW.

Regular, detailed scrutiny of our transition project has been discussed with our Council and its Audit and Risk Assurance Committee (ARAC), and with responsibility for advising on the transition of HEFCW into Medr included in every committee's Terms of Reference. This has resulted in the development of a handover reports from HEFCW to Medr, providing advice and details of commitments made by HEFCW that will be inherited by Medr.

Higher Education Funding Council for Wales

Funding

In July 2023, we announced our main teaching, research and innovation funding allocations for AY 2023/24. This included £2.3m for well-being and health and student hardship, in addition to our recurrent £2m for well-being and health strategies.

In August 2023, we announced £10m capital funding allocations for 2023-24 and £8.5m Higher Education Research Capital funding on behalf of the Welsh Government and UK Department for Science, Innovation and Technology.

In December 2023, we announced additional funding from the International Science Partnerships Fund to support Official Development Assistance (ODA) activities within Welsh higher education.

In March 2024, we received additional funding of £3.4m from Welsh Government for the Regional Innovation Fund.

In July 2024, we announced teaching, research and innovation funding allocations for AY 2024/25.

Teaching funding review

We concluded our review of teaching funding, commenced in 2021/22, and published the outcomes of the review in April 2023 via circular W23/10HE. The outcomes will inform Medr's considerations of an approach to teaching funding which takes account of the wider post-16 sector. We commissioned Anna Verhamme Consulting to undertake a review of higher education delivery models to further support this advice, and a report of the findings was published in July 2024 .

We also commissioned LE Wales to undertake a review of the additional costs of Welsh Medium study, the outcomes of which informed the teaching funding review and subsequent decision-making. The report was published in April 2023 via circular W23/08HE.

Research and innovation funding and policy

We have continued to work with the other UK funding bodies to develop the next Research Excellence Framework (REF). In June 2023 we published our initial decisions on the design of the next exercise and invited consultation feedback. In December 2023, taking into account the responses received, the four funding bodies announced that the next REF would take place in 2029, and in January 2024 we confirmed that we would carry out a pilot of the People, Culture and Environment element. We have consulted on the introduction of targeted funding to support the development of positive research environments and culture, including the creation of networks for the sharing of practice and learning.

We published in May 2023 guidance on the next Research Wales Innovation Fund strategy period 2023/24 to 2027/28. Higher education institutions have submitted strategies to guide their use of this fund for the next five years.

In June 2023, we signed a Memorandum of Understanding with the Learned Society of Wales. This underpins our annual grant funding of the Society for a programme of activities to support the development of the research base in Wales. In November 2023, the Society published analysis of the impact case studies submitted to REF2021 by Welsh institutions. The report demonstrated the wide-ranging economic, social and cultural impact of research and innovation in Wales.

We gave evidence to the Senedd Economy, Trade and Rural Affairs Committee inquiry into research and development in Wales. We have continued to work with the Chief Scientific

Higher Education Funding Council for Wales

Adviser for Wales, UK Research and Innovation, and the UK Government to take forward the recommendations of UK-wide reviews of the research and innovation ecosystem. We continue to monitor progress against our Research and Innovation: The Vision for Wales through an annual report.

Regulation and oversight: Annual regulatory report

We are required under the Higher Education (Wales) Act 2015 to report annually to the Welsh Government on how, during the reporting period, we have exercised our functions by virtue of the Act. Our latest report to the Welsh Government, covering AY 2022/23, confirmed that during the reporting year no regulated institution had failed to comply with the regulatory requirements associated with a Fee and Access Plan with several providers under enhanced monitoring in relation to retention. The report also confirmed that there were no failures to comply with the regulatory system as it relates to quality but enhanced monitoring of one provider in relation to its quality was ongoing. HEFCW's overall assessment is that, across the regulated sector, institutions continue to comply with the regulatory requirements imposed by the Higher Education (Wales) Act 2015.

Regulation and oversight: Prevent Duty

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 report annually to the Home Office, and share the report with the Welsh Government, on compliance with the Prevent Duty by HE providers that come under our monitoring authority, and set out our plans for on-going monitoring. Our latest report to the Home Office was submitted in March 2024 and covered our assessment and monitoring activity from April 2023 to March 2024.

Institutional Assurance

In late 2019, HEFCW funded Universities Wales to commission a report on the governance arrangements of higher education institutions in Wales. All higher education institutions in Wales have signed up to the Charter and are in the process of implementing the accompanying 'Plan for Action'. HEFCW is monitoring the implementation of these actions. In addition, we funded two pieces of work following the Wales Governance Review. Firstly, a Good Practice Guide to ensure the effective engagement with key stakeholders and consideration of their views in the development of university strategy and secondly, a piece of work on Diversity and Inclusion, to work towards boardroom diversity which ensures that governing bodies are reflective of the communities that they serve.

Quality Assurance

We commissioned the Quality Assurance Agency for Higher Education (QAA) to develop an updated Quality Enhancement Review method for Wales. This method was published and became operational in 2023/24. It started with a fallow year to enable institutions to prepare effectively for these reviews, and to allow sufficient time for the recruitment of a panel of reviewers that will work across Wales, Scotland and Northern Ireland. We continued to work with Scotland and Northern Ireland, to develop common approaches across the three nations, and to share learning. We also continued to contribute to UK debate around quality oversight arrangements, representing HEFCW on the UK Standing Committee for Quality Assessment. We worked with the other UK funders and regulators on revising Statement regarding quality, aiming to set out common approaches across all nations of the UK, which has been published. We also funded a range of sector activities via the QAA, including

Higher Education Funding Council for Wales

support for the Wales Integrity and Assessment Network and an associated seminar, which was very successful, and collaborative enhancement projects. The aim of this is to ensure a continued sector-wide focus on quality and on sharing practice. We funded the QAA to focus on the sharing of good practice between HE and FE in relation to quality, being mindful of the implementation of Medr, and the need for different parts of post-16 provision to work more closely. Finally, we continued to implement our statutory responsibilities, taking advice from our Quality Assessment Committee (QAC). This included the publication of the outcomes of a concerns investigation, and follow up activity.

HEFCW commissioned the Quality Assurance Agency for Higher Education (QAA) to carry out a Concerns Investigation at one provider to investigate issues relating to quality assurance systems, meeting students' needs, partnerships and the governance of quality. We received the final report from the QAA in March 2023 and required the University to develop an action plan, the implementation of which we have continued to monitor as part of our quality assurance framework requirements.

Student Experience

We ensured that the voice of students continued to be heard via leading Wales' engagement in the National Student Survey, and followed up on performance issues identified. This included the implementation of an updated questionnaire, which saw different versions used for England and the other nations, for the first time. We published a report that we had commissioned on the postgraduate research student experience, with the aim of initiating conversations about this both in Wales and across the UK, in order to improve consistency in the experience of these students. We engaged with the National Union of Students Wales, with which we operate a Memorandum of Understanding, and with SUs, to ensure that we were informed on the issues impacting on students. This has particularly included the impacts of strikes and the marking and assessment boycott on students at some institutions, and the cost of living crisis, which has impacted on students at all institutions. We monitored admissions and progression data and liaised with institutions where we needed to understand more. We piloted a Student Voice Forum to inform how Medr is able to ensure that the voices of all learners across the post-16 sector can be appropriately heard in Medr's decision-making.

Widening access

The HEFCW-funded Reaching Wider Programme began a new three-year strategy period from AY 2022/23. The Reaching Wider Partnerships continued to focus on supporting individuals from groups under-represented in higher education, including those who have experienced disrupted learning as a result of the Covid-19 pandemic.

HEFCW has continued to fund the Reaching Wider Programme to deliver a new programme of mentoring support between university students and learners in schools and colleges in the most deprived areas of Wales, in partnership with Brightside. This has resulted in the creation of a fully bilingual online platform and, as of March 2023, the recruitment and training of over 130 mentors and access to the platform by over 200 young people. An event to celebrate the achievement of the pilot stage of the initiative was held in the Senedd in October 2023.

Degree Apprenticeships

We have continued to fund degree apprenticeships on the digital and engineering and advanced manufacturing frameworks delivered by universities and colleges in partnership across Wales. We have supported Welsh Government and the CITB to develop a new degree apprenticeship framework in construction, with the first enrolments due in September 2024.

Higher Education Funding Council for Wales

Employability and Skills

We have enabled institutions to build on the lessons learned from the ESF-funded GO Wales: Achieve through Work Experience programme, which concluded last year, through introducing the Targeted Employability Support Scheme, supported with £2m in AY 2023/24. The funding enables HE providers to offer a range of support to enhance the employability of students from under-represented groups and lower socio-economic backgrounds, with the aim of addressing differential employment outcomes.

We concluded funding the Graduate Support Fund, which enabled institutions to provide access to work experience and employability support for individuals who graduated during the pandemic to help their transition into the current job environment, with a focus on graduates from under-represented groups. Universities reported that the funding was instrumental in enabling the provision of enhanced employability support to graduates most impacted by the pandemic.

We continued to work with AdvanceHE, building on the study on how employability is embedded in the curricula of universities by establishing a community of practice and funding a series of events focusing on institutional approaches to employability. We showcased how all universities and one directly funded FEI in Wales are embedding employability into their curricula through a case study publication Unpacking the three Es – a national perspective, compiled by AdvanceHE.

Equality and Diversity

We published our revised Strategic Equality Plan 2022-24, and our Strategic Equality Delivery Plan 2022-24. We considered how HEFCW could take forward our commitment to 'working in the spirit' of the socio-economic duty of the Equality Act 2010.

We provided guidance on tackling violence against women, sexual abuse and domestic violence, and continue to work with universities to promote the actions they take to tackle all forms of violence, abuse and harassment regardless of identity.

Well-being and health

We announced funding of £2m and guidance to support universities to implement their well-being and health strategies in AY 2023/24. We continued to promote the use of the UUK Stepchange: mentally healthy universities approach and the UUK Suicide Safer Universities Framework. We continued to fund Student Space in partnership with the Office for Students, to provide additional support and guidance to students, including Welsh language information.

We allocated £2.3m of additional funding for well-being and health with a particular emphasis on measures to address cost of living impacts, including providing financial advice and guidance and addressing student hardship.

We continued to support Welsh Government in taking forward the recommendations of the Senedd Children, Young People and Education Committee inquiry into mental health support in higher education. We have funded a feasibility study to investigate the potential extension of the South East Wales Mental Health University Liaison Service to a pan-Wales model.

Race: access and success

We published race equality guidance and details of the allocation of a further £1m to support this agenda in AY 2023/24. We have continued to work with the Welsh Government to take forward the actions in the Anti-racist Wales Action Plan, including funding AdvanceHE to facilitate a sector-wide race equality network. We gave evidence to the Senedd Equality and

Higher Education Funding Council for Wales

Social Justice Committee inquiry into an Anti-racist Wales, alongside representatives from other parts of the post-16 sector.

Civic mission

Our Council-led Civic Mission Working Group continued to advise on issues in civic mission policy and supported our work on a mapping exercise of civic mission activity across the sector in order to inform how Medr will take forward its strategic duty in this area. We have supported the work of the Universities Wales Civic Mission Network, including a showcase event in June 2023 about how universities are helping to tackle poverty in communities across Wales.

Welsh language provision

We monitored uptake of Welsh language provision and encouraged institutions to continue to make progress in this area, in partnership with the Coleg Cymraeg Cenedlaethol. We published the outcomes of a review we had commissioned of the costs of Welsh medium provision in Circular W23/08HE. This led us to implement an uplift to the Welsh medium premium and expanded the premium to high and expensive cost subjects, in recognition of the increasing differences in costs between Welsh and English medium study. We continued to work closely with y Coleg, in line with our Memorandum of Understanding. We also started work in partnership with y Coleg to determine the benefits of Welsh medium higher education in relation to employment and employability outcomes.

Performance in year – overview

Corporate Strategy

We are required by the Welsh Government to put in place a corporate strategy, setting out our medium to long-term objectives and a business plan for each financial year.

In 2021, we developed a new Corporate Strategy, recognising that it would be HEFCW's last in the light of the Welsh Government's ambitions for an integrated post-compulsory education and training system and the establishment of a new body to oversee that. It sets out our vision for higher education and explains HEFCW's purpose in regulating, funding and influencing higher education providers in order to achieve that vision. The Corporate Strategy explains what we do and what we are trying to achieve in the context of our obligations under Welsh Government legislation. It describes how we support the well-being of future generations, as set out under the Well-being of Future Generations (Wales) Act 2015.

Our Corporate Strategy sets out six core objectives. These objectives provide the framework for our annual business plans. HEFCW's Council receives twice-yearly progress reports against the business plans - once half-way through the year and once at year-end. These reports have demonstrated that we have made good progress in addressing each of our work-streams and set of related performance measures identified against each of the six core objectives, and that in doing so, we had contributed positively towards the longer-term outcomes we have identified.

With HEFCW's dissolution delayed until the end of July 2024, we were required to review our well-being objectives under the Well-being of Future Generations Act 2015, prompted by amendments to the definition of the 'Prosperous Wales' well-being goal from the passing of the Social Partnership and Public Procurement Act 2023. In light of this review, the Council agreed at its meeting in March 2024 that HEFCW's corporate strategy objectives, which were also its well-being objectives, and its well-being statement, did not require any further amendment.

Higher Education Funding Council for Wales

The Welsh Government receives progress reports on our Business Plans through the receipt of HEFCW Council papers. We also provide the Welsh Government with a separate annual report on progress against the specific tasks included in our remit letter.

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.

Business Plan 2023-24 outcomes

Our remit letter for 2024-25 required that we submit to Welsh Government an update to our existing Business Plan, to cover the period 1 April 2024 to 31 July 2024, when HEFCW is due to be dissolved. An extended version of our Business Plan 2023-24 was approved by the Council in May 2024 and submitted, as required, to Welsh Government in the same month.

All activities included in our extended Business Plan 2023-24, including the specific actions from our remit letters for 2023-24 and 2024-25, were delivered as planned.

Financial overview

<i>Performance in year</i>	16 months to 31 July 2024 £'000	2022-23 £'000
Funding of higher education expenditure	(293,627)	(244,601)
Council expenditure	(7,312)	(4,189)
Income from activities	16,560	27,574
Interest net of appropriations	4	2
Grant in aid – funding from the Welsh Government	286,432	218,346
Increase/(decrease) in Taxpayers' Equity	2,057	(2,868)

Expenditure comparisons with the prior year are not possible as we are reporting on a 16 month period to the dissolution of HEFCW on 31 July 2024. Details of the analysis of the funding of higher education expenditure are shown in note 4 to the accounts

Grant in aid (GIA) funding from the Welsh Government can be split to provide a comparison.

	4 months to 31 July 2024 £'000	12 months to 31 March 2024 £'000	2022-23 £'000
Grant in aid	69,000	217,432	218,346

GIA decreased by £0.9m or 0.4% between 2022-23 and 2023-24.

'Income from activities' has always varied year on year, therefore comparisons are difficult. A detailed analysis of income from activities can be found in note 3 to the accounts.

See the Statement of comprehensive net expenditure and the Statement of changes in taxpayers' equity on pages 46 and 49 for further details.

Expected future developments

The Tertiary Education and Research (Wales) Act, which gained Royal Assent in September 2022, will see the establishment of a new regulatory and funding body, the Commission for Tertiary Education and Research (brand name Medr), and the dissolution of HEFCW. The Welsh Government's current plans are that HEFCW will be dissolved at the end of July 2024 with Medr fully operational from 1 August 2024.

Our priorities during the final 16 month period covered by this Report were to continue to address our core statutory responsibilities of funding and regulating the higher education sector in Wales; prepare for an efficient dissolution of HEFCW; and contribute to the smooth transition of HEFCW's functions into Medr. A key priority in all this was been to provide support to HEFCW staff through the transition process.

We continued throughout the reporting period to monitor closely and advise on the potential risks and opportunities facing higher education in Wales, in particular from the current challenging financial climate for higher education across the UK. We have continued to assess higher education policy developments in England and wider UK developments, with respect to their potential implications for Welsh higher education - including the uncertainties arising from the loss of EU structural funds and the impact on the research base, the development of plans for the next Research Excellence Framework (REF) and UK-wide policy decisions on immigration.

Going concern

The passage into law of the Tertiary Education and Research (Wales) Act 2022 resulted in the closure and dissolution of HEFCW with the commencement of section 23 of the Act on 1 August 2024. A transfer order was put in place at midnight on this date which transferred the remaining staff, assets and liabilities from HEFCW to the new Welsh Government Sponsored Body, The Commission for Tertiary Education and Research.

As the functions provided by HEFCW transferred to the Commission for Tertiary Education and Research, the Accounting Officer, with the support of senior management, has concluded that there is a continuation of provision of services previously provided by HEFCW. Therefore, in accordance with the Financial Reporting Manual, it is appropriate for HEFCW to prepare its 2023-24 Annual Report and Accounts on going concern basis.

Performance analysis

Corporate strategy objectives and performance

To deliver the purpose and vision of our Corporate Strategy, we have established six core objectives. Under each of these, we have identified a set of performance measures, outcomes and indicators against the key delivery work-streams. Our Business Plan report describes in detail our performance against each of these work-streams, reporting on outcomes and indicators where data or other sources of evidence allow.

An important focus for HEFCW in 2023-24 and 2024-25 has been to continue with the detailed work needed to plan for the establishment of Medr and the dissolution of HEFCW. We established a transition project so that we could plan for an orderly transition of HEFCW staff and functions into Medr.

Higher Education Funding Council for Wales

In providing regular reports on the progress of this project to HEFCW Council and to its Audit and Risk Assurance Committee, our intention has been to provide appropriate assurance that, in delivering our plans to transition to the new organisation, we have continued to focus on the delivery of HEFCW's Corporate Strategy vision and objectives, including our duties to our staff as an employer, and as a public body to the HE sector.

Our processes for identifying and managing risks, along with details of the significant risks identified during the year are set out in our Governance Statement (part of our Accountability Report). Information in respect of community, human rights, anti-fraud and anti-bribery matters is provided as part of the Remuneration and Staff Report on pages 39 and 40.

Financial analysis

GIA between year ended 2023-24 and 2022-23 remained at the same level but the GIA award for the year ended 2024-25 saw a significant reduction, part of which was included in the 4 months to July 2024.

Comparison of expenditure between the two periods is not possible.

Funding of higher education expenditure

	16 months to 31 July 2024	2022-23
	£'000	£'000
Higher education institutions*	287,419	210,506
Further education institutions	1,563	900
Other	4,603	5,786
Total	293,585	216,742

*Adjusted for ESF funded expenditure

The net operating costs for the 16 month period were £284.4m (2022-23: £221.2m). As noted in the 'Financial overview' section above, the GIA funding from the Welsh Government amounted to £286.4m (2022-23: £218.3m) which was credited directly to the taxpayers' equity general reserve (see 'Statement of financial position' on page 47 and 'Statement of changes in taxpayers' equity' on page 49). The cumulative taxpayers' equity general fund as at 31 March 2024, after crediting the GIA referred to above, was £3.6m (31 March 2023: £1.6m). The financial accounts will always record a net operating costs' result for the year as a consequence of the crediting of the 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 GIA for the year end or four per cent for the other months, as permitted by the Welsh Government.

There was £14.0k expenditure on property, plant and equipment in the year as noted in note 8 below (2022-23: £Nil).

Other expenditure 2023-24 (£000)

	16 months to 31 July 2024	2022-23
	£'000	£'000
Staff costs	5,900	3,586
Accommodation	150	101
Other	1,256	461
Total	7,306	4,148

Higher Education Funding Council for Wales

Other financial key performance indicators

The cash balance as at 31 July 2024 was £3.6m which represented 1.97 percent of total GIA funds available (2022-23: £1.57m, 0.72 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. we paid 89.1% (to March 2024) and 86.5% (to July 2024) invoices within ten working days, with an average payment time of 2.5 and 3.8 days respectively (2022-23: 94.3% and an average of 1.9 days).

HEFCW's procurement activity takes into consideration the Welsh Government's Policy statement and principles, Code of practice: Ethical Employment in Supply Chains, Well-being of Future Generations (Wales) Act 2015 and the five ways of working, Section 6 Biodiversity duty (see below) and the Equality Act 2010. It also seeks to adopt UK, Welsh public sector and HE procurement best practice.

HEFCW purchases sustainably, using e-procurement tools to undertake its procurement. In the financial year 2021-22 (the latest data available), HEFCW procurement efficiencies were £7,194, which equates to a percentage saving of 4.6%. These efficiencies were made predominantly from the use of collaborative and framework agreements. Efficiencies are being driven, as much as possible, from the relatively small amount of expenditure we use to purchase goods, services and works.

Sustainability

Reporting on sustainability matters was published separately as Medr cannot approve Well-being of Future Generations or Biodiversity matters.

Simon Pirotte
Chief Executive and Accounting Officer, The Commission for Tertiary Education and Research
19 November 2024

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

Rob Humphreys CBE, FLSW, Chair (Term of office: 05/01/22 to 04/07/23. Reappointed 05/07/23 until HEFCW's dissolution). *Former Director of the Open University in Wales*

Chief Executive (and Accounting Officer)

Dr David Blaney (to February 2024)

Ms Bethan Owen (Interim Chief Executive from February 2024)

Other Council members:

Name	Personal history	Term of office*	Committee membership
Professor Mark Smith CBE (Deputy Chair)	President and Vice-Chancellor, University of Southampton	01/01/22 to 30/06/23 Reappointed 01/07/23 until HEFCW's dissolution	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	07/04/21 to 06/04/26	Human Resources Committee (Chair) Remuneration Committee (Chair) Student Opportunity and Achievement Committee
James Davies	Chief Executive, Industry Wales	01/12/20 to 31/03/24	Research Wales Committee Student Opportunity and Achievement Committee

Higher Education Funding Council for Wales

Name	Personal history	Term of office*	Committee membership
Professor Tracy Bhamra	Senior Vice-Principal (Student and Staff Experience), Royal Holloway, University of London	01/04/22 to 31/03/27	Research Wales Committee Regulation Committee Audit and Risk Assurance Committee
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/21 to 21/04/26	Regulation Committee (Chair) Human Resources Committee Remuneration Committee
Dr John Graystone	Education consultant and former Chief Executive of Colegau Cymru Colleges Wales	01/08/21 to 31/07/26	Audit and Risk Assurance Committee (Chair) Quality Assessment Committee Human Resources Committee Remuneration Committee
Professor Helen Marshall	Vice-Chancellor, University of Salford	01/12/20 to 30/11/25	Quality Assessment Committee (Chair) Student Opportunity and Achievement Committee
Charlotte Hitchings	Chair, Avon and Wiltshire Mental Health Partnership Trust	05/05/20 to 04/05/23 Reappointed 05/05/23 until HEFCW's dissolution	Student Opportunity and Achievement Committee (Chair) Regulation Committee

* Council members' terms of office in the table above reflect the dates included in their letters of appointment from the Minister. However, all Council members' terms came to an end at HEFCW's dissolution date of 31 July 2024.

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 Regulation Committee and the Remuneration Committee.

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

Higher Education Funding Council for Wales

The President of the National Union of Students Wales is an observer on HEFCW's Council and a member of the Quality Assessment Committee, Student Opportunities and Achievement Committee, and Regulation Committee.

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 request from Medr, @info@medr.cymru

Personal data related incidents

There have been no reported personal data related incidents during the period covered by this Report.

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

Higher Education Funding Council for Wales

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.

Simon Pirotte
Chief Executive and Accounting Officer, The Commission for Tertiary Education and Research
19 November 2024

Higher Education Funding Council for Wales

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 July 2024, the Council comprised 9 members. The Council continued to benefit from a diverse membership in terms of the mix of skills, knowledge and experience, and to monitor closely the diversity and skills mix of the membership of the Council's various committees and when seeking new external representation, to actively encourage applications from currently under-represented groups.

During the period covered by this Report, there were eight formal Council meetings, two Council Workshops, and three Council visits to regulated providers. There were a total of 68 out of 78 possible member attendances at Council meetings.

Representatives from Research England and the Scottish Funding Council, 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:

Audit and Risk Assurance Committee

Provides the Council with independent assurance as to the effectiveness of HEFCW's internal control, corporate governance, and risk management processes, and provides oversight of HEFCW's institutional assurance work.

Quality Assessment Committee

Undertakes the Council's statutory responsibilities in respect of quality assessment arising from the Further and Higher Education Act 1992 and the Higher Education (Wales) Act 2015.

Regulation Committee

Advises the Council on the implementation of HEFCW's regulatory responsibilities under the HE (Wales) Act 2015.

Student Opportunity and Achievement Committee

Advises the Council on all matters relating to student opportunity and achievement in higher education, including Welsh Medium, public information, widening access, equality and diversity, student health and well-being, and skills and employability, with the aim of ensuring

Higher Education Funding Council for Wales

that Welsh higher education meets the needs and expectations of learners and other stakeholders.

Research Wales Committee

Advises the Council on strategies for innovation, engagement and research activities and the policies and principles underpinning them, including funding arrangements.

Human Resources Committee

Considers and approves all HEFCW employment-related matters.

Remuneration Committee

Considers matters affecting the performance and remuneration of the Chief Executive, taking appropriate account of the views of Council members, and makes recommendations for approval to the Welsh Government. Also considers the performance of the Deputy Chief Executive and the Council Secretary.

Nominations Committee

Appoints to the Council's committees Council members and non-Council members of suitable expertise, as relevant to the terms of reference of the committees.

Governance processes and 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 business 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 the conclusions reached at its meetings 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 paper. The Council approves annually a forward plan of key business items, and endorses annually forward plans put forward by each of its committees. The Council receives feedback on the work of its Committees through updates from committee chairs at each Council meeting and the receipt of the minutes of each committee meeting. Committees may also raise any matter that they believe should be brought to the attention of the Council with respect to their remit and responsibilities.

In 2020, the Council received the report of an independent expert review it had commissioned 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 Council agreed an action plan for taking forward a number of the report's recommendations, which was fully actioned by the end of 2021-22.

The Audit and Risk Assurance Committee (ARAC) reviews its processes against the requirements and recommendations set out in HM Treasury's *Audit and Risk Assurance Committee Handbook*, and has agreed to use the National Audit Office's *ARAC Effectiveness Checklist* to conduct annual self-assessment governance effectiveness

Higher Education Funding Council for Wales

reviews. These annual reviews also include a review of the Chair's one-to-one discussions with members; a reflection on the skills base of the Committee membership; and a review of the Committee's Terms of Reference and Annual Forward Plan. At the most recent review exercise in December 2023, the Committee concluded that it was operating in line with accepted best practice for audit committees, and that its membership continued to cover the skills and competencies outlined in the *ARAC Handbook*.

Given its general importance as a potential risk issue for all organisations, the Committee has agreed to receive an annual update from HEFCW and its external auditors, Audit Wales, on cyber security matters. Since 2021-22, the Committee has received as a standing agenda item updates on developments relating to the Tertiary Education and Research (Wales) Act and the Welsh Government's plans to establish Medr, and on the HEFCW closure project and the transition of its functions into Medr.

The HEFCW executive conducts an Annual Compliance Review against the requirements placed upon us in the Framework Document, which is reviewed by ARAC and reported to the Council. This year's review showed us to be fully compliant with those requirements.

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.

Institutions in Wales that wish for their full-time undergraduate and PGCE 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, students on those full-time undergraduate and PGCE courses can receive that student support, including a tuition fee loan up to the maximum tuition fee limit for Wales (currently £9,000 per annum, increasing to £9,250 from August 2024).

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 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.

The Council approved in the reporting period HEFCW's annual report to the Welsh Government on HEFCW's regulatory functions; the Welsh Language Standards Annual Reports for 2022-23 and 2023-24; and the Equality Annual Report 2022-23.

Higher Education Funding Council for Wales

Reporting to the 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 about six times a year.

We received our initial remit letter for 2023-24 in July 2023. In August 2023, we submitted to the Minister our Business Plan for 2023-24, and we were notified in November 2023 that the Minister had noted the Plan. Our Council received bi-annual reports on progress against our business plan targets. We received our remit letter 2024-25 on 18 March 2024 and, as required by the letter, submitted to Welsh Government at the end of May 2024 an update to our existing Business Plan, to cover the period 1 April 2024 to 31 July 2024.

The Minister has quarterly meetings with the Chair, with the Chief Executive in attendance for every other of these meetings, 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 report annually to the Welsh Government on how we have exercised our functions under the Act. Our latest Annual Regulatory Report covered academic year 2022/23.

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 the period covered by this Report.

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 and assurance arrangements in relation to organisations in receipt of our funding and that we regulate. Welsh higher education providers funded by us are required to comply with Terms and Conditions of Funding that set out the terms and conditions they must abide by for receiving payment of HEFCW grant, and which helps us to secure accountability for the regularity and propriety of the use of public funds provided to them. Welsh Higher Education providers are also required to comply with the provisions set out in the Financial Management Code, which sets out the requirements concerning the organisation and management of financial affairs to which regulated institutions must adhere. We consider a comprehensive range of returns provided to us by providers - including fee and access plans, and providers' annual accounts - 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 our key controls – the risk registers, the financial statements and the external auditors' report and comments thereon, internal audit reports and institutional risk reviews

Higher Education Funding Council for Wales

and assurance reports – have been considered by the Audit and Risk Assurance Committee which reports on them to our Council.

The Audit and Risk Assurance Committee's annual opinion statement for 2023-24 highlighted no major issues or significant weaknesses in our internal controls during the year which warrant disclosure here.

The internal audit plan was revised for the period 2022-24 to focus audit resource on essential key controls during the period to the closure of HEFCW at the end of July 2024. It does not include any assurance on systems or processes developed by HEFCW staff for Medr but does include provision of assurances relating to any agreed protocols, including the servicing of specific assurance requests covering HEFCW's processes to the end of July 2024.

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 the Welsh Government on our behalf, and also against a set of national measures for HE performance that we have developed. We use the data for a variety of purposes, including the calculation of funding allocations and monitoring equal opportunities, and to monitor the performance of the Welsh higher education sector and individual institutions. The data we use are subject to rigorous checking and auditing processes.

We have developed a Knowledge Management System, 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. The assurance framework, which enables the Committee to identify, plan and effectively monitor key sources of assurance and significant issues, was in place in 2022-23. Reports from the Assurance Framework supported the internal audit plan and enabled the ARAC to assess how assurance is being provided on key corporate risks and whether effective use is being made of the finite internal audit resources. The annual reporting of assurance outcomes supported the ARAC in their role in providing advice and giving opinions to the Council on the effectiveness of corporate governance, internal control, and risk management in HEFCW, including HEFCW's corporate risk register and the Governance Statement. The updates to the risk register and business plan outcomes are currently being included in the assurance framework, but although it is being maintained there will be no further development of the framework or supporting database in the period to the dissolution of HEFCW.

Higher Education Funding Council for Wales

Tax assurance for off-payroll employees

There have been no payments to off-payroll employees during the 16 month period or in the previous year.

Whistleblowing arrangements

Our whistleblowing policy and supporting procedures were last revised in June 2022 and were 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 the period covered by this Report and so it is not possible to report upon the effectiveness of these procedures.

Risk management processes

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 is reviewed by the Audit and Risk Assurance Committee and the Council three times a year. Any residual risks identified by our risk evaluation process, having considered the controls we have in place or those we plan to implement, represent the real or potential threat to HEFCW at the time. The identification of these risks does not mean they will definitely occur. Rather, the Corporate Risk Register indicates areas of risk that we need to be aware of, and respond to, in order to perform our role effectively. Monitoring and assessing key risks and current controls allow 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.

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

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 and issues

Our most significant risks over the reporting period continue to relate to workload pressures arising from supporting the preparations for the establishment of Medr, and implementing HEFCW's closure project, and balancing those demands with the requirement to continue to deliver our funding and regulatory responsibilities in full. Associated with these pressures has been the on-going risks to staff morale, not least due to the delay to the dissolution of HEFCW until 1 August 2024.

The delay to HEFCW's closure has impacted upon HEFCW's planning and operations, and as such has created some additional risks. It has prompted continual reviews of and

Higher Education Funding Council for Wales

amendments to HEFCW's Corporate Risk Register and to the HEFCW closure project, updates on both of which have been reported to each meeting of ARAC and the Council.

Staff workload and morale

We recognise that our employees are our greatest asset. The extended delay to HEFCW's dissolution has exacerbated existing risks and challenges from extended workload pressures, especially as many staff have become more heavily involved in the preparations for Medr to become operational, or in work that will be delivered by Medr, while continuing to address their HEFCW responsibilities.

Staff also had concerns over resource gaps in the Medr structure, and about a lack of clarity over the detail of their future roles and responsibilities, and the implications of these for future workload.

We acknowledge that these concerns have had a negative effect on staff morale, and potentially staff well-being and health, and that this has created the risk that staff may become disengaged in the processes or leave their roles, which would lead to continuity risks and impact on the smooth transition of staff and functions to Medr.

A further risk has been the loss of expertise due to the departure of key senior staff, including the HEFCW Chief Executive in February 2024 under a voluntary exit arrangement, and the retirement of the Head of Internal Audit at the end of March.

We have been mitigating these risks in a number of ways:

- We have continued supporting our staff in preparing for the transition through regular engagements to share information, issues and concerns. We have in place various policies and procedures aimed at helping with staff retention, managing absence and supporting employee relations.
- There has been clear messaging to staff to focus on HEFCW's statutory funding and regulatory functions. Staff have been encouraged to discuss with line managers areas of HEFCW activity that might need to be delayed, shared or dropped to accommodate pressures as these have increased, and we have continued to review with the Council the re-prioritisation of work.
- We have been recording and monitoring through the year staff time spent on Medr activities.
- We have recruited a number of additional staff this year to improve our capacity in certain areas. The former Deputy Chief Executive was appointed Interim Chief Executive and Accounting Officer for HEFCW from February, and provision was agreed from April with Welsh Government's internal audit service to provide internal audit for HEFCW during the interim period to the end of July. HEFCW's Director of Corporate Services had been due to retire on 31 March but agreed to postpone this until 31 July to support the transition from HEFCW into Medr.
- We continued to engage with HEFCW's Works Council and with PCS Union and non-Union representatives, about dissolution preparations and staffing concerns.
- A protocol was in place between HEFCW, Medr and Welsh Government setting out principles to provide clarity on roles and responsibilities between the three organisations during the Medr establishment period.

Higher Education Funding Council for Wales

- There was on-going engagement with the Medr Chair, Deputy Chair and Chief Executive, including attendance by Medr Board members at HEFCW Council and Committee meetings. HEFCW's Management Board members are members of Medr's Senior Leadership Team led by the Medr's Chief Executive, and HEFCW Heads of Team have been meeting more regularly with Medr's senior team.

Council and committee business and the HEFCW closure project

The delay to HEFCW's dissolution by a further four months created a risk that Council and committee members might not be available to or wish to continue serving during the extended period of HEFCW's operation. Fortunately, sufficient numbers of Council and committee members agreed to stay on, so that Council has remained quorate and our Committees have been able to continue to deliver on their respective remits.

A number of areas of our work that, under the formerly planned closure date, had been anticipated to be delivered by Medr subsequently were required to be completed by HEFCW. These have included approval of higher education budgets and allocations for AY 2024/25, informed by HEFCW's remit letter for 2024-25, and Fee and Access Plan approvals.

We have also needed to review and make significant revisions to HEFCW's closure project, and have continued to update a HEFCW Handover document that was on to Medr at the end of July.

HEFCW contracts and reporting requirements

A significant amount of work has been undertaken to review HEFCW contracts, and actions taken to ensure that those contracts were either extended to our new closure date; cancelled; or prepared to be novated across to Medr at the point of HEFCW's closure.

In order to address HEFCW's reporting duties, we have needed to complete relevant reporting in a number of areas with respect to activities for both 2023-24 and the first four months of 2024-25, for sign off by the Council at its final meeting in July.

Accommodation and working arrangements

HEFCW's lease on its office in Bedwas expired at the end of March 2024. A licence agreement was reached with the Welsh Government to allow HEFCW continued access to the server room in the office for a period during 2024-25. For the interim period between 1 April and end of July, it was agreed that HEFCW staff could co-locate with Medr at its office in central Cardiff.

Hybrid working is now established as the norm for the organisation, and this year we introduced a new *Hybrid working statement and guidance* for staff, which includes details of employee support measures and responsibilities. We recognise that we have been fortunate with the resilience shown by HEFCW staff, and with the robustness of our IT systems and support to enable remote working to continue effectively.

External matters: how HEFCW has responded to higher education sector risks

As independent autonomous bodies, higher education providers have the primary responsibility for controlling and mitigating risks that directly affect them. Those risks are relevant to HEFCW insofar as they relate to the effective and efficient delivery of our key responsibilities as a funder, regulator and influencer of higher education in Wales. In this regard, we recognise too that there is a broader public interest in HEFCW trying to help mitigate these sector risks. The HE sector across the UK is facing significant risks relating to the recruitment of international students with cost savings having to be secured where there

Higher Education Funding Council for Wales

are significant reductions in income. HEFCW has continued to monitor the financial position of providers throughout this period.

A number of additional in-year funding packages were received from the Welsh Government in 2023-24 (further information can be found in the *Key developments in year: Funding* section of this Report). We have robust and fair allocation processes that ensure appropriately targeted distribution of the funding and that is in keeping with Welsh Government criteria, overseen by HEFCW Council. We ensure full transparency about our approach, including consultation and the publication of circulars to confirm our funding decisions. We have robust monitoring arrangements for the funding we have distributed, which is important in a context where the speed and urgency of providing the funding support can create some risk, enabling timely reporting to the Welsh Government.

Throughout the period covered by this Report, we have continued to work with the Welsh Government to help deliver a smooth transition process to establish Medr from August 2024, while also ensuring that we address all our statutory responsibilities.

Cessation of HEFCW and transfer of Accounting Officer responsibilities

Through the enactment of section 23 of the Tertiary Education and Research (Wales) Act 2022, HEFCW ceased to exist and was dissolved on 31 July 2024. The continuing activities of HEFCW were transferred to the Commission for Tertiary Education and Research, as established by the same Act. Responsibility for these continuing activities lies with the Commission for Tertiary Education and Research, for which I am Accounting Officer. The completion and agreement of these final accounts for HEFCW, and their submission to the Senedd, therefore became my responsibility from 1 August 2024.

In fulfilling this duty, I have relied on the statements and assurances of the Accounting Officer in place for HEFCW as at 31 July 2024. I have also relied on the oversight of HEFCW's systems of corporate governance, risk management and internal control carried out by the HEFCW Audit and Risk Assurance Committee during the financial period to 31 July 2024, as described in its annual report and its role in reviewing the process for the production of the annual report and accounts up to its final meeting held in June 2024. I have also received the management report on their audit of these 2023-24 accounts from HEFCW's external auditors, Audit Wales.

Conclusion

I have reviewed the evidence provided with regard to the production of the annual governance statement. The conclusion of my review is that HEFCW's overall governance and internal control structures were appropriate for HEFCW's business and have worked satisfactorily throughout the period 1 April 2023 to 31 July 2024.

Simon Pirote
HEFCW Accounting Officer (from 1 August 2024)
Chief Executive, The Commission for Tertiary Education and Research
19 November 2024

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 was set by the Welsh Government and was governed by the Welsh Government's Scheme for Remunerating Chairs and Members of WGSBs and NHS Bodies, introduced on 1 April 2004.

The Chief Executive's remuneration (and from 10 February 2024, the Interim Chief Executive's remuneration) was approved by the Welsh Government and was not subject to performance-related awards.

The Deputy Chief Executive (to 9 February 2024) and directors' remuneration was set in accordance with our approved pay and grading system, which applied 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, were approved by the Welsh Government.

We had a Remuneration Committee which was responsible for reviewing annually the performance of the Chief Executive and the Deputy Chief Executive. The committee, consisting of five members, three of which are Council members (including the Chair), had delegated authority from the Council to consider matters affecting the pay of the Chief Executive and made recommendations for the approval of the Welsh Government.

The Committee met in June 2023 and reviewed the Chief Executive's performance and agreed that, based upon his performance in 2022-23, the recommended consolidated pay increase for 2023-24 should be the same as for HEFCW staff (in common with previous pay awards). This increase was subsequently confirmed as a 5% revalorisation award, which uplifted the Chief Executive's salary from £141,455 to £148,528.

The Committee subsequently met in June 2024 and reviewed the Interim Chief Executive's performance since her appointment to the post in February 2024 and agreed that, based upon her performance, the recommended consolidated pay increase for the period from 1st April 2024 to 31st July 2024 should be the same as for HEFCW staff. This increase has yet to be confirmed but will be applied to her salary upon appointment of £148,528 per annum.

The HEFCW Chief Executive

HEFCW was dissolved on 31 July 2024. The newly formed body, the Commission for Tertiary Education and Research became fully operational on 1 August 2024 under a new Chief Executive and new governance structures.

During this final period, Dr David Blaney left his role as Chief Executive on 9 February 2024, before the end of his contract under voluntary exit terms in accordance with the Civil Service Compensation Scheme and received a payment of £192,000. This payment was subject to normal tax deductions.

The total emoluments for Dr Blaney are shown in the table below.

Higher Education Funding Council for Wales

Bethan Owen was appointed as Interim Chief Executive from 10 February 2024 and her total emoluments are also shown in the table below.

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	2023-24 Salary £'000	2022-23 Salary £'000	2023-24 Pension benefits increase/ (decrease) £	2022-23 Pension benefits increase/ (decrease) £	2023-24 Total £'000	2022-23 Total £'000
Rob Humphreys (Chair)	20-25	20-25	N/A	N/A	20-25	20-25
Dr David Blaney (Chief Executive to 9 Feb 2024)	325-330	140-145	88,722	(29,416)	410-415	110-115
Bethan Owen (Deputy Chief Executive to 9 Feb 2024; Interim Chief Executive from 10 Feb 2024)	110-115	100-105	92,925	9,661	205-210	110-115
Nicholas Williams (Director of Corporate Services to 31 July 2024)	80-85	75-80	33,801	(11,322)	115-120	60-65
Dr Alyson Thomas (Director of Corporate Planning to 3 May 2023)	0-5	35-40	(863)	19,592	0-5	55-60
Dr Ewen Brierley (Director of Regulation and Analysis)	80-85	75-80	23,615	26,894	105-110	100-105
Harriet Barnes (Director of Policy and Funding)	75-80	70-75	29,778	27,009	105-110	95-100

Pension benefits' figures were only available from our Civil Service pensions' administrators for the year to 31 March 2024 and could not be provided to 31 July 2024. The figures above therefore are for the year to 31 March 2024 for consistency with the prior year. Salary costs for the whole 16 months are shown below.

Higher Education Funding Council for Wales

The 'Pension benefits' figures above are calculated for disclosure purposes by our pension administrators. These figures are calculated as the 'real increase in pension' (see 'Senior employees' pensions' table below) multiplied by 20, plus the 'real increase' in any lump sum, less contributions made by the employee in the financial year. In some cases above, the net effect has resulted in a decrease in overall pension benefits during either 2023-24 or 2022-23.

The remuneration figures for the period to 31 July 2024 for the above were:

Name and position	12 months to 31 March 2024 £'000	4 months to 31 July 2024 £'000	16 months to 31 July 2024 £'000
Rob Humphreys (Chair)	20-25	05-10	30-35
Dr David Blaney (Chief Executive to 9 Feb 2024)	130-135	-	130-135
Bethan Owen (Deputy Chief Executive to 9 Feb 2024; Interim Chief Executive from 10 Feb 2024)	110-115	45-50	160-165
Nicholas Williams (Director of Corporate Services to 31 July 2024)	80-85	25-30	105-110
Dr Alyson Thomas (Director of Corporate Planning to 3 May 2023)	0-5	-	0-5
Dr Ewen Brierley (Director of Regulation and Analysis)	80-85	25-30	105-110
Harriet Barnes (Director of Policy and Funding)	75-80	25-30	100-105

NB There were no benefits in kind or bonus payments in either 16 month period to 31 July 2024 or 2022-23 for the above.

The total salary for Rob Humphreys was £32,352, the equivalent of £24,264 per annum during this period (2022-23: £24,264).

Dr David Blaney served as the Chief Executive until 9 February 2024, with a salary of £148,528 per annum. The total remuneration paid in the period consists of a salary of £133,485 and a voluntary exit settlement of £192,000.

Bethan Owen served as the Deputy Chief Executive until 9 February 2024, with a salary of £105,500 per annum. She served as Interim Chief Executive from 10 February, with an annual salary of £148,528 per annum.

Nicholas Williams served as the Director of Corporate Services until 31 July 2024, with a salary of £81,390 per annum during this period.

Dr Alyson Thomas served as the Director of Corporate Planning until 3 May 2023 on a part-time 0.48 FTE basis, with a salary of £38,866 per annum.

Dr Ewen Brierley served as the Director of Regulation and Analysis, with a salary of £81,390 per annum during this period.

Harriet Barnes served as Director of Policy and Funding, with a salary of £77,756 per annum during this period.

Higher Education Funding Council for Wales

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/24 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/24 £'000	CETV at 31/03/23 £'000	Real increase in CETV £'000
Rob Humphreys	Chair		N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive (to 9 Feb 2024)	90-95	2.5-5	2,069	1,871	81
Bethan Owen	Interim Chief Executive	45 - 50	5 – 7.5	1,051	879	88
Nicholas Williams	Director of Corporate Services	25 - 30	0 – 2.5	528	475	31
Dr Alyson Thomas	Director of Corporate Planning (to 3 May 2023)	20-25 plus lump sum 45-50	-	481	474	-1
Dr Ewen Brierley	Director of Regulation and Analysis	25 - 30	0 – 2.5	554	492	14
Harriet Barnes	Director of Policy and Funding	0 - 5	0 – 2.5	59	34	16

Note: CETV figures for 31.03.2023 have been recalculate for all employees to take account of the adjustments for members who are in scope of the 2015 Remedy and for all due to a factor change in the reporting period.

Salary and pension disclosures*

The Interim Chief Executive and the Directors have permanent contracts, requiring a notice period of three months. Other than the possibility of payment in lieu of notice, there are no explicit contractual provisions for compensation for early termination.

The Chair and Council members (excluding the Interim Chief Executive and the former Chief Executive) are not members of the Principal Civil Service Pension Scheme and do not receive any pension benefits paid for by HEFCW. Council members (excluding the Chair, the Interim Chief Executive and the former Chief Executive) receive non-pensionable remuneration of £5,076 per annum (see pages 14-15 for a full list of 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 switched into Alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to Alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in either PCSPS or in Alpha – as appropriate. Where the official has benefits in both PCSPS and in Alpha, the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (Partnership pension account).

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 an occupational defined contribution pension arrangement which is part of the Legal and General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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).

Higher Education Funding Council for Wales

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 parts of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Broadly by analogy (BBA) pensions

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

Higher Education Funding Council for Wales

Fair Pay disclosures*

NB For comparative purposes, the 2023-24 figures below are based upon the pay figures for the year ended 31st March 2024.

	4 months to 31 July 2024 £'000	12 months to 31 March 2024 £'000	2022-23 £'000
Band of highest paid member of staff (total remuneration**)	145-150 £	145-150 £	140-145 £
Median total remuneration**	52,399	52,399	49,903
Ratio	2.8	2.8	2.8
25 th Percentile	37,271	39,820	34,494
75 th Percentile	52,399	53,889	56,014

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

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 the most highly paid senior employee in 2023-24 was £145,000 to £150,000 (2022-23 - £140,000 to £145,000). This was 2.8 times (2022-23: 2.8) the median salary of all staff, which was £52,399 (2022-23: £49,903). The 2023-24 figures were the same for both March and July.

The median ratio remained the same across the period at 2.8. During the year to 31 March 2024, all staff including the Chief Executive had a 5% pay award and some staff were also received annual increments but not the most highly paid senior employee. All staff with the exception of the Chief Executive also received a non-consolidated pay award of £1,500 in July 2023. There was no pay award received during the period to April to July 2024. Due to the nature of our work, HEFCW has a high proportion of staff at middle job levels resulting in the median ratios shown above.

The movement of the 25th and 75th percentile values between 2022-23 and 2023-24 (March and July) were due to changes in senior management levels following the departure of the Chief Executive and the appointment of the Deputy Chief Executive as Interim Chief Executive and the Deputy Chief Executive not being replaced. The non-consolidated payment of £1,500 to all except the Chief Executive caused the March 2024 figures to increase and then fall back to July 2024.

As a small organisation, the timing of appointments to vacant posts can also affect this ratio.

In the 12 months to 31 March 2023-24, the former Chief Executive received total remuneration (including exit package) in excess of the highest-paid senior employee reported here (2022-23: none). Remuneration ranged from £23,260 to £148,528 as at March and £24,372 to £148,528 as at July (2022-23: £22,152 to £141,455).

Higher Education Funding Council for Wales

Staff report

Staff numbers by category

We employed an average of 55 full time equivalent staff during the financial period ended 31 July 2024, as follows:

	31 July 2024 Number	31 March 2024 Number	2023 Number
Senior Management	4	5	6
Chief Executive's Office	3	3	3
Policy and Funding	16	16	17
Regulation and Analysis	17	17	14
Corporate Services	15	14	14
	<u>55</u>	<u>55</u>	<u>54</u>

One member of staff, from Regulation and Analysis above was not a permanent member of staff.

	31 July 2024 Number	31 March 2024 Number	2023 Number
Staff with a permanent UK employment contract with us	54	54	53
Other staff engaged on our objectives	1	1	1
	<u>55</u>	<u>55</u>	<u>54</u>

Staff costs

(a) Analysis*

	To 31 July 2024			2023		
	Staff	Council members (incl. Chief and Interim Chief Executives)	Total	Staff	Council members (incl. Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	3,832	292	4,124	2,532	210	2,742
Social security costs	443	31	474	291	21	312
Other pension costs	1,022	60	1,082	698	42	740
Redundancy and voluntary exit costs	82	192	274	-	-	-
Total payroll costs	<u>5,379</u>	<u>575</u>	<u>5,954</u>	<u>3,521</u>	<u>273</u>	<u>3,794</u>
Less:						
Staff on secondment	(54)	-	(54)	(52)	-	(52)
Charges to programme costs	-	-	-	(156)	-	(156)
Administration payroll costs	<u>5,325</u>	<u>575</u>	<u>5,900</u>	<u>3,313</u>	<u>273</u>	<u>3,586</u>

Higher Education Funding Council for Wales

Grant-in-aid funding was received from the Welsh Government in 2022-23 to cover staff costs directly relating to the preparation for the transition to CTER. This is included in the funding credited directly to the general reserve. Funding received from the Welsh Government in 2023-24 for the same reasons has been included as 'other income'.

(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 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2023-24 (16 month period to 31 July 2024), our employer’s contributions of £1,078,630 were payable in total to the PCSPS and CSOPS (2022-23 - £738,552) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, between 1 April 2023 and 31 March 2024 and one single rate of 28.97% between 1 April 2024 and 31 July 2024, 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 2021-22 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 2022-23 and amounted to £18,000 at 31 March 2023.

(c) Staff numbers by gender

	At 31 March 2024	At 31 July 2024	2023
<i>Male</i>			
Directors	2	2	3
Staff	18	19	15
<i>Female</i>			
Directors	2	2	3
Staff	35	34	36
Total	57	57	57

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

As there is no clear guidance on how non-binary or trans employees are to be included in reporting staff gender analysis numbers, we have taken the decision to exclude any employees who do not identify as either male or female until such time that clear guidance is provided. All staff have been included in the full-time equivalent 'staff numbers by category' and the 'staff costs analysis' tables, above.

(d) Sickness absence

	To 31 July 2024	To 31 March 2024	2023
Sickness absence rate (%)	0.5	0.75	0.6
Average working days lost	1.96	1.91	2.12
Number of working days lost	27	114	93
Approximate cost of working days lost	£5,492	£22,744	£16,578

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).

0.75% and 0.5% of potential working time was lost in 2023-24 to March and July respectively due to sickness absences (2022-23 – 0.6%). The annual sickness absence rate for 2023-24 had increased to March and then fallen marginally to July compared to the previous year. As a small organisation, individual staff absences can have a significant effect on these numbers year on year.

These sickness absence figures exclude disability and Covid-19-related absences, in order to make the comparison of figures meaningful.

Staff policies and other issues

The focus of this year was to support staff through the extended transition into CTER.

Limited policy development had taken place due to maintaining and closing down functions, however, with the extension of the closure of HEFCW, some policies had to be updated for statutory purposes, these were:

- Flexible working procedures - Statutory flexible working changes
- Paternity leave – statutory changes
- Special leave policy - introduction of new Carer's leave act

HEFCW employees successfully transferred over to Medr on 31 July 2024 and received confirmation letters of this change under Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (COSoP). Whilst it was believed that the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) did not apply legally to this transfer, it was agreed by all parties, as per COSoP that the principles of TUPE should be followed to ensure that those members of staff transferring are afforded the same employment protections and are treated no less favourably than had the TUPE Regulations applied.

Higher Education Funding Council for Wales

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. The staff meetings continued to take place fortnightly via video call to support remote working, and to keep staff informed during a changing year.

HEFCW recognised the PCS Union as its trade union for staff and it is involved and consulted on a regular basis. A Works Council, through which representatives could raise issues of concern to staff and which included representation from the PCS union, met on a regular basis.

We conducted biennial staff attitude surveys, which support staff engagement. The survey took place during 2021-22 and is based upon the Civil Service People Survey. Actions arising from this survey, together with other evaluations such as feedback from staff events, were included in our organisational action plan, which was accessible to all staff on our intranet. Due to the scheduled transition into CTER, no staff survey was carried out in 2023-24.

Equality and diversity

We were committed to developing our equality and diversity policies to ensure that all employees are treated fairly, with regard to any protected characteristic as defined by the Equality Act. The Equality, Diversity and Inclusion (EDI) Group continued to meet throughout 2023-24, continuing their review of recruitment practices with the aim of improving the diversity of staff within HEFCW and developing a training specification for all staff EDI training. 'An inclusive HEFCW' training course was delivered to all staff following on from the requirements outlined by the EDI group, and this took place from November 2023 to January 2024.

Our policy on recruitment was based on the Civil Service Recruitment Principles of appointments being made on merit and fair and open competition. We have built on this by undertaking positive action to address our diversity profile and updating our equality recruitment statement, as well as offering "ask anything" recruitment events where applicants could come and meet with HEFCW staff, including HR, to ask questions about our vacancies and our recruitment process.

We achieved the 'Disability Confident' accreditation and we met the five commitments regarding recruitment, training, retention, consultation and disability awareness. This accreditation was re-assessed in July 2022 and renewed for a further three years.

In line with these commitments, any candidate declaring a disability, either internally or externally, would 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.

Gender pay gap

HEFCW's mean gender pay gap of -2.81% is an improvement in its gender pay gap and demonstrates that women on average now to earn more than men in HEFCW.

Higher Education Funding Council for Wales

The median gender pay gap has reduced further to -2.34%, demonstrating that females continue to earn more at the mid-point than males (as in previous years).

Both changes above are positive and with numerous equality initiatives embedded in recruitment, it is hoped that it is a reflection of some of the changes made over the years coming to fruition. HEFCW undertakes anonymous recruitment, where personal details are removed to minimise bias as far as possible. It was agreed that positive action initiative and changes made in recruitment would continue throughout 2023. HEFCW's amended equality statement was retained as part of this which actively addresses the need for diversity improvements.

The influential factor of fluctuations in HEFCW's small headcount cannot be forgotten however, and this may be a consequence of the changes in staff over the last 12 months where a slight changes in proportion of male and female staff and full and part-time staff can influence a significant change across the pay gaps.

The headcount for the gender pay gap report as of March 2024 is 55 employees and it remains the case that at such a scale, data analysed into quartiles are susceptible to distortion because of the impact of individual salaries.

All staff, apart from the Chief Executive and latterly, the Interim Chief Executive, are on standardised salary scales, which have limited incremental points, and no staff receive bonus payments. The figures in each of the quartiles continues to demonstrate the greater number of females employed, and the highest proportion continues to be distributed across the Upper quartile and the Lower quartile.

HEFCW had a number of work life balance policies to support employees in their circumstances. We had a number of part-time staff, operated flexi-time, allowed homeworking and flexible working patterns, provided 2 hours of wellbeing time each week, along with supportive special leave policies. These provisions supported our staff in being able to have both the desired work life balance as well as furthering their careers.

Our gender pay gap figures and other equality statistics wer discussed at Management Team, HR Committee and our Council in order to ensure we put in place any mechanisms required to continue to build a diverse and inclusive workplace.

There is no clear guidance on how non-binary or trans employees are included in the gender pay gap calculations. This will be something that we continue to monitor to ensure we report under best practice arrangements. At present, the options are to either exclude non-binary or trans employees from the calculations, or to record them based on the information supplied to HM Revenue & Customs (HMRC) and right to work details such as passport information. For HEFCW, the decision has been taken to exclude any employees who do not identify as either male or female, until such time that clear guidance is provided or the gender pay gap reporting takes into account different genders.

Higher Education Funding Council for Wales

	31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
Mean gender pay gap	+6.36%	+5.8%	+7.72%	+11.53%	-2.81%
Median gender pay gap	-5.26%	-3.13%	-2.44%	-0.24%	-2.34%

Proportion of males and females in each quartile pay band:

Quartile		31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
Lower	(M)	41.67%	35.71%	21.43%	21.43%	35.71%
	(F)	58.33%	64.29%	78.57%	78.57%	64.29%
Lower middle	(M)	41.67%	46.15%	42.86%	35.71%	35.71%
	(F)	58.33%	53.85%	57.14%	64.29%	64.29%
Upper middle	(M)	8.33%	15.38%	33.33%	40.00%	35.71%
	(F)	91.67%	84.62%	66.67%	60.00%	64.29%
Upper	(M)	33.33%	30.77%	21.43%	28.57%	38.46%
	(F)	66.67%	69.23%	78.57%	71.43%	61.54%

Benchmark

Gender pay gap median	14.0%
Gender pay gap mean	11.5%

[ONS](#) data – public sector gender pay gap for all employee jobs, UK, 2023

NB: there are no bonus related statistics as HEFCW does not make bonus payments

Community and human rights matters

We have continued, as part of our special leave policy, to give the option for 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 cake-baking sales, or fund-raising events to support good causes, although hybrid working has meant that these activities have taken place less frequently.

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

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. The HSEM Group has continued to focus on providing a safe home and office-working environment. In the last period, staff attended the office in Bedwas more frequently than during the pandemic, but this was still

Higher Education Funding Council for Wales

on a sporadic low-level basis and there was no change to our hybrid way of working. The Bedwas office lease expired on 31 March 2024 and from mid-April, the new office base for HEFCW staff became the future CTER office (from 1 August 2024) in central Cardiff. The HSEM Group continued to risk assess the new office arrangements and liaise with CTER planning officers on appropriate health and safety arrangements through to 31 July 2024.

Anti-fraud and anti-bribery matters

HEFCW's fraud and bribery policy and procedures were last reviewed and updated in 2020-21, 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 period 2023-24, 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 well-being

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 via phone, website and as a mobile application, and promotes fitness, a healthy lifestyle and provides mental health support.

We introduced a Well-being 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 well-being. This was extended into 2020-21 and was increased to two hours from the beginning of the pandemic in response to the implementation of remote working for all staff and was continued at this level throughout 2023-24.

Human capital management

As a small organisation, promotion opportunities can often be limited. However, when they do arise, we ensure that all staff are clearly aware of the vacancies to promote the opportunity for promotion.

In support of staff development, we also offer training opportunities for staff, along with a structured performance management system. Staff have access to the *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. Training and development opportunities have been increased to support staff in the transition into CTER.

We also support individuals who wish to undertake work experience within HEFCW to assist with their future employability and have conducted these virtually during the period of remote working, whenever possible.

HEFCW's Management Board conducted workforce planning in order to assess future workforce needs accordingly, making changes and plans for the future to ensure that HEFCW had the resources to deliver its objectives, but this approach had been adapted with the transition into CTER in mind from August 2024.

Higher Education Funding Council for Wales

Consultancy expenditure

There was no consultancy expenditure during the year (2022-23: £nil).

Off-payroll engagement

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

Exit Packages

In addition to the Chief Executive's payment noted above, there was one other exit package paid in 2023-24 (2022-23 – none).

Exit package cost band	Number of departures
£50,000 - £100,000	1
£150,000+	1
Total number of exit packages	2
Total cost	£274,444

These payments were made in accordance with the provisions of the Civil Service Compensation Scheme, with the approval of the Welsh Government's Public Bodies Unit. Exit costs are accounted for in full in the period of departure.

Simon Pirotte
HEFCW Accounting Officer (from 1 August 2024)
Chief Executive and Accounting Officer, The Commission for Tertiary Education and Research
19 November 2024

The Certificate and report of the Auditor General for Wales to the Senedd

Opinion on financial statements

I certify that I have audited the financial statements of the Higher Education Funding Council for Wales for the 16-month period up to 31 July 2024 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992.

The financial statements 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 the material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

- In my opinion, in all material respects, the financial statements:
 - give a true and fair view of the state of Higher Education Funding Council for Wales' affairs as at 31 July 2024 and of its net expenditure for the 16 months then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded 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.

Basis for opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are 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 opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Higher Education Funding Council for Wales

The going concern basis of accounting for the Higher Education Funding Council for Wales is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information in the annual report. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Welsh Ministers' directions made under the Further and Higher Education Act 1992; and
- the information given in the Performance Report and Accountability Report and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

- I have not received all of the information and explanations I require for my audit;
- proper accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Accountability Report are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- assessing 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 the Accounting Officer anticipates that the services provided by the body will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Further and Higher Education Act 1992.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the audited entity's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Higher Education Funding Council for Wales's policies and procedures concerned with:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, posting of unusual journals and management override;
- Obtaining an understanding of the Higher Education Funding Council for Wales's framework of authority as well as other legal and regulatory frameworks that the Higher Education Funding Council for Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a

Higher Education Funding Council for Wales

fundamental effect on the operations of Higher Education Funding Council for Wales;
and

- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Higher Education Funding Council for Wales's controls, and the nature, timing and extent of the audit procedures performed.

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.

Other auditor's responsibilities

I obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Adrian Crompton
Auditor General for Wales

1 Capital Quarter
Tyndall Street
Cardiff

Statement of comprehensive net expenditure
for the 16 months ended 31 July 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	268,090		205,742	
Capital expenditure	3	10,000		11,000	
Other purposes	5	15,537		27,859	
		<u>293,627</u>		<u>244,601</u>	
<i>Council expenditure:</i>					
Staff costs		5,900		3,586	
Depreciation	8	6		35	
Amortisation	9	-		6	
Other expenditures	6	1,406		562	
		<u>7,312</u>		<u>4,189</u>	
Total expenditure			(300,939)		(248,790)
Income					
Income from activities	2		16,560		27,574
Net operating costs			(284,379)		(221,216)
Interest receivable			357		117
Appropriations	7		(353)		(115)
Net operating costs transferred to taxpayers' equity			(284,375)		(221,214)

All activities are continuing.

There are no recognised gains or losses in either 2023-24 or 2022-23.

The notes on pages 50 to 62 form part of these accounts.

Details of staff costs are shown on page 34 as part of the Remuneration and Staff Report.

Statement of financial position

as at 31 July 2024

	Notes	As at 31 July 2024 £'000	As at 31 March 2023 £'000
Non-current assets			
Property, plant and equipment	8	12	4
Intangible assets	9	-	-
Repayable grants falling due after one year	10a	-	-
Total non-current assets		12	4
Current assets			
Repayable grants falling due within one year	10a	-	1,167
Trade and other receivables	10b	226	365
Cash and cash equivalents	11	3,897	1,574
Total current assets		4,123	3,106
Total assets		4,135	3,110
Current liabilities			
Trade and other payables	12	(483)	(1,512)
Provisions for liabilities and charges within one year	13	(1)	(2)
Total non-current assets plus net current assets		3,651	1,596
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(14)	(16)
Assets less liabilities		3,637	1,580
Taxpayers' equity			
General reserve		3,637	1,580
		3,637	1,580

The notes on pages 50 to 62 form part of these accounts.

Signed on behalf of HEFCW

Simon Pirotte
Chief Executive, The Commission for Tertiary Education and Research
19 November 2024

Statement of cash flows

for the 16 months ended 31 July 2024

	Notes	2024	2023
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(284,379)	(221,216)
Depreciation charges		6	35
Amortisation charges		-	6
Decrease in trade and other receivables due within one year		1,306	1,256
Decrease in repayable grants due after one year		-	1,167
(Decrease)/increase in trade and other payables		(1,029)	313
Movement in provisions		(3)	(3)
Net cash outflows from operating activities		(284,099)	(218,442)
Cash flows from returns on investments and servicing of finance			
Interest received		357	117
Interest surrendered to the Welsh Government		(353)	(115)
Net cash flows from returns on investments and servicing of finance		4	2
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(14)	(6)
Purchase of intangible fixed assets	9	-	-
Net cash outflow from investing activities		(14)	(6)
Cash flows from financing activities			
Funding from the Welsh Government		286,432	218,346
Net cash flows from financing activities		286,432	218,346
Net decrease in cash and cash equivalents		2,323	(100)
Cash and cash equivalents at beginning of period		1,574	1,674
Cash and cash equivalents at end of period	11	3,897	1,574
Net decrease in cash		2,323	(100)

The notes on pages 50 to 62 form part of these accounts.

Statement of changes in taxpayers' equity
for the 16 months ended 31 July 2024

	General Reserve £'000
Balance at 1 April 2023	1,580
Changes in taxpayers' equity 2023-24	
Net operating costs	(284,375)
Total recognised income and expense for 2023-24	<u>(284,375)</u>
Funding from the Welsh Government	286,432
Balance at 31 July 2024	<u>3,637</u>

The notes on pages 50 to 62 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 previously received grant income relating to EU projects from two sources. Grant income from the Welsh Government in support of European Social Fund projects was credited to the general reserve in the year in which expenditure was incurred. EU income in support of European Social Fund projects was credited to the statement of comprehensive net expenditure in the year in which expenditure was defrayed. The Welsh Government confirmed that following the United Kingdom's departure from the EU on 31 January 2020, there will 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 had been completed.

Expenditure:

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

(c) Funding

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

(d) Grants payable

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

(e) Repayable grants

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

Higher Education Funding Council for Wales

(f) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS) 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 both pension scheme arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on both 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 £5,000 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 £5,000 are capitalised.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as shown below.

A full year's amortisation is charged in the year of acquisition.

Software licences	- 3 years
-------------------	-----------

(i) Value Added Tax

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) International Financial Reporting Standards (IFRS) 16 Leases

IFRS 16 supersedes International Accounting Standard 17 Leases and is effective in the public sector from 1 April 2022. It provides a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for leases with a term of more than 12 months unless the underlying value is of low value.

HEFCW currently has one lease where this this standard might apply, however the term of the lease is 12 months from 1 April 2023 and has a value of £63,000. This lease is a sublease of a Welsh Government lease and advice has been sought to ensure that HEFCW's accounting treatment is in line with that of the Welsh Government, as HEFCW accounts will be consolidated into those of the Welsh Government. It has been confirmed

Higher Education Funding Council for Wales

that as this lease is new and not an extension of the previous lease, therefore the use of hindsight in determining the lease term does not apply, consequently, the lease will be treated as an expense and this accounting treatment is in line with that of the Welsh Government's accounts.

(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 34, which forms part of the Accountability Report.

(n) **Going concern**

The passage into law of the Tertiary Education and Research (Wales) Act 2022 resulted in the closure and dissolution of HEFCW on 31 July 2024. HEFCW's activities, together with its staff, assets and liabilities transferred into The Commission for Tertiary Education and Research as from 1 August 2024. Consequently, the Accounting Officer, with the support of senior management, has concluded that, as there a continuation of services, previously provided by HEFCW, in accordance with the Financial Reporting Manual (FReM), it is appropriate for HEFCW to prepare its financial statements on a 'going concern' basis.

Higher Education Funding Council for Wales

2. Income from activities

	To 31 July 2024 £'000	2023 £'000
European Union – European Social Fund	-	785
Department of Science, Innovation and Technology (formerly Department for Business, Innovation & Skills) – Research Capital Investment Fund	15,579	19,595
UK Research Partnership Investment Fund (a)	-	4,709
UK Research Partnership Investment Fund (b)	-	2,450
Prevent (c)	47	35
Welsh Government (d)	934	-
	<u>16,560</u>	<u>27,574</u>

- (a) This was funding from the UK Research Partnership Investment Fund (UKRPIF) for the Centre for Integrative Semiconductor Materials at Swansea University. Funding should have been completed by March 2022 however, due to Covid-19 related delays, this funding was received in full by December 2022.
- (b) This was funding from the UK Research Partnership Investment Fund (UKRPIF) designed to support capital activities which will reduce the carbon emissions of UKRPIF-funded research facilities, making the research processes they support more environmentally sustainable.
- (c) This was funding to support reporting on compliance with the Prevent Duty by higher education.
- (d) This was funding received from the Welsh Government to cover additional staff costs and legal and IT costs directly relating to the preparation for the transition to CTER. Funding was also received in 2022-23 but this was credited directly to the general reserve.

Higher Education Funding Council for Wales

3. Funding of higher education

	To 31 July 2024			2023
	Recurrent £'000	Capital £'000	Total £'000	Total £'000
Higher Education Providers				
Aberystwyth University	16,491	750	17,241	14,885
Bangor University	22,123	750	21,873	16,695
Cardiff University	96,491	2,365	98,856	77,344
Swansea University	42,715	1,474	44,189	37,097
Wrexham University	6,467	750	7,216	6,160
Cardiff Metropolitan University	11,259	856	11,945	9,489
University of Wales, Trinity Saint David	11,631	952	12,583	9,521
University of South Wales	23,620	1,427	24,716	20,510
Open University	32,587	676	33,263	19,460
Sub-total	261,882	10,000	271,882	211,161
Further Education Providers				
Grŵp Llandrillo Menai	1,305	-	1,305	647
Grŵp NPTC Group	185	-	185	174
Gower College Swansea	73	-	73	79
Sub-total	1,563	-	1,563	900
Other Organisations				
Advance HE	105	-	105	102
Anna Verhamme Consulting Ltd	38	-	38	-
Arad Research	30	-	30	-
Hardisty Jones	-	-	-	40
Quality Assurance Agency	315	-	315	32
UK Research and Innovation	59	-	59	235
JANET (UK) Ltd	2,689	-	2,689	2,009
JISC Services Ltd	20	-	20	-
KPMG LLP	-	-	-	15
The Learned Society of Wales	318	-	318	155
National Union of Students	96	-	96	60
The Office for Students	279	-	279	458
Universities UK	65	-	65	1,074
Universities Wales	135	-	135	-
London Economics	-	-	-	47
The Conversation	63	-	63	-
The Welsh Government (a)	391	-	391	1,384
Other	-	-	-	175
Sub-total	4,603	-	4,603	5,786
Total	268,048	10,000	278,048	217,847
Less ESF funded expenditure	42	-	42	(1,105)
Total	268,090	10,000	278,090	216,742

- (a) The Welsh Government led and managed the Sêr Cymru programme. This funded additional Research Fellows and a number of Research Chairs in universities in Wales in order to boost research capacity. HEFCW provided its funding contribution

Higher Education Funding Council for Wales

for the programme to the Welsh Government, which made the payments to universities.

4. Grants to providers

Included in these accounts are grants to higher education providers, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education providers ends on 31 July and their audited accounts are provided to us by 30 November. A review by us of providers' 2022/23 financial statements confirmed that each provider's external auditors had considered that grants had been used for their intended purpose and no adjustments to grants were necessary. The end of year calculation of clawback for credit-based teaching funding for 2022/23 resulted in a clawback of 1.493m. Any adjustment arising from the 2023/24 accounts and student numbers will be made by us in future year.

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

5. Expenditure for other purposes

	To 31 July 2024 £'000	2023 £'000
European Social Fund *	(42)	1,105
Research Capital Investment Fund (a)	15,579	19,595
UK Research Partnership Investment Fund (b)	-	4,709
UK Research Partnership Investment Fund (c)	-	2,450
	<u>15,537</u>	<u>27,859</u>

* this was due to a minor over accrual in the previous year

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

	To 31 July 2024 £'000	2023 £'000
Aberystwyth University	1,513	1,652
Bangor University	1,920	1,804
Cardiff University	7,640	10,810
University of South Wales	332	610
Swansea University	4,004	4,250
University of Wales, Trinity Saint David	-	109
Cardiff Metropolitan University	170	331
Wrexham University	-	29
	<u>15,579</u>	<u>19,595</u>

(b) This was funding from the UK Research Partnership Investment Fund (UKRPIF) for the Centre for Integrative Semiconductor Materials at Swansea University. Funding should have been completed by March 2022, however due to Covid-19 related delays, this was paid in full by December 2022.

Higher Education Funding Council for Wales

- (c) This was funding from the UK Research Partnership Investment Fund (UKRPIF) was designed to support capital activities which would reduce the carbon emissions of UKRPIF-funded research facilities, making the research processes they support more environmentally sustainable.

6. Other expenditures

	To 31 July 2024 £'000	2023 £'000
Administration costs		
Accommodation costs	150	101
Office costs	83	55
Bought-in services	41	60
Auditors' remuneration	34	28
Council members' travel and subsistence costs	9	5
Council members' meeting costs	10	9
Staff travel and subsistence costs	26	6
Staff related expenditure on training, recruitment etc.	73	52
Information technology costs	980	246
	<u>1,406</u>	<u>562</u>

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

Grant-in-aid funding was received from the Welsh Government in both 2023-24 and 2022-23 to cover additional staffing, legal and IT costs directly relating to the preparation for the transition to CTER. This is included as other income for 2023-24 and in the funding credited directly to the general reserve 2022-23.

7. Appropriations

	To 31 July 2024 £'000	2023 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	353	115

8. Property, plant and equipment

	Information technology equipment £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 1 April 2023	620	59	679
Additions	-	14	14
Re-instated asset	8	-	8
Disposals	(284)	(52)	(336)
At 31 July 2024	344	21	365
Depreciation			
At 1 April 2023	616	59	675
Charged during period	2	4	6
Re-instated asset	8	-	8
Disposals	(284)	(52)	(336)
At 31 July 2024	342	11	353
Net book value at 31 July 2024	2	10	12
Net book value at 1 April 2023	4	-	4
Asset financing			
Owned assets			
Net book value at 31 July 2024	2	10	12

9. Intangible fixed assets

	Software licences £'000
Cost	
At 1 April 2023	68
Additions	-
Disposals	-
At 31 July 2024	68
Amortisation	
At 1 April 2023	68
Charged for the period	-
Released on disposal	-
At 31 July 2024	68
Net book value at 31 July 2024	-
Net book value at 1 April 2023	-

Higher Education Funding Council for Wales

10a. Repayable grants

	2024 £'000	2023 £'000
Repayable grants		
Balances as at 1 April	1,167	2,125
Repaid during the period	(1,167)	(958)
Balances as at 31 July/31 March	-	1,167
Balances as at 31 July/31 March		
Within one year	-	1,167
After one year	-	-
Balances as at 31 March	-	1,167

Repayable grants were 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 were repayable varied according to the conditions of the grant agreed with the provider.

None of the above grants were interest-bearing.

As at 31 July 2024, there were no provider (2023 – one) with repayable grants outstanding.

10b. Trade receivables and other current assets

	At 31 July 2024 £'000	2023 £'000
Amounts falling due within one year		
Prepayments and accrued income	224	363
Other receivables	2	2
	226	365
Intra-government balances		
Other central government bodies	25	271
Balances with other government bodies	-	-
Balances with non-government bodies	201	94
	226	365

Higher Education Funding Council for Wales

11. Cash and cash equivalents

	At 31 July	
	2024	2023
	£'000	£'000
Cash held under Government Banking Service		
Balance at 1 April	462	712
Net change in cash and cash equivalent balances	1,498	(251)
Balance at 31 July/31 March	1,960	461
Cash held under commercial banks and cash in hand		
Balance at 1 April	1,113	962
Net change in cash and cash equivalent balances	824	151
Balance at 31 July/31 March	1,937	1,113
Total cash and cash equivalents	3,897	1,574

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

12. Trade payables and other current liabilities

	At 31 July	
	2024	2023
	£'000	£'000
Amounts falling due within one year		
Accruals	483	1,512
Other taxation and social security	-	-
Sundry creditors	-	-
		1,512

Intra-government balances		
Central government bodies	98	944
Other central government bodies	-	-
Balances with other government bodies	98	944
Balances with non-government bodies	385	568
	483	1,512

Higher Education Funding Council for Wales

13. Provisions for liabilities and charges

	At 31 July	
	2024	2023
	£'000	£'000
Broadly by analogy pension liability (see Staff Costs note on pages 32 and 35)	15	18
Analysis of timing of liability		
Falling due within one year (2024-25)	1	2
Falling due between 2025-26 and 2028-29	8	8
Falling due between 2029-30 and 2038-39	6	8
	15	18

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.

	At 31 July	
	2024	2023
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	-	63
Later than one year and not later than five years	-	-
	-	63

Expenditure in the year on leasing costs of £63k is included in note 6. The final office lease commenced on 1 April 2023 and expired in March 2024. No further charges were made after this date.

15. Capital commitments

	At 31 July	
	2024	2023
	£'000	£'000
Contracted capital commitments at 31 July 2024 and at 31 March 2023, not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	-	-

Higher Education Funding Council for Wales

16. Other financial commitments and contingent liabilities

	At 31 July	
	2024	2023
	£'000	£'000
Revenue grants (a)	-	57,873
European projects (b)	-	-
	-	57,873

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

(b) The European projects ended in December 2022 with the final claims being submitted in January 2023. All claims for accrued income and payments are included in these accounts, there are no further financial commitments outstanding.

As at 31 July 2024, there were no contingent liabilities (2023 – nil).

17. Related parties

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

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

Name	Relationship with related party
Rob Humphreys CBE, FLSW (Chair of Council)	<ul style="list-style-type: none"> ◆ Elected fellow, Learned Society of Wales ◆ Ongoing input and assistance to Global Wales project managed by Universities Wales ◆ Chair of sector group for adult & community learning, and member of main Advisory Group, Taith International Learning Exchange Programme
Professor Mark Smith CBE	<ul style="list-style-type: none"> ◆ Council Member, EPSRC ◆ Member, Research Policy, Universities UK
Professor Aaqil Ahmed	<ul style="list-style-type: none"> ◆ Senior Independent Panel Member, Welsh Government, public appointments
Professor Helen Marshall	<ul style="list-style-type: none"> ◆ Academic Reviewer, Quality Assurance Agency
James Davies	<ul style="list-style-type: none"> ◆ Member, Ministerial Advisory Board to MECON (Welsh Government)

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 the 16 month period to 31 July 2024, £286.4m or 94.5% of our income was derived from the Welsh Government (2022-23 - £218.3m or 88.8%). The remaining income, £16.6m or 5.5%, was derived from income from activities (2022-23: £27.6m or 11.2%).

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

Interest rate risks – Some of the cash balances that are drawn down from the Welsh Government to pay funding commitments and operating costs are held in an instant access, variable rate bank account that on average carried an interest rate of 4.5% in the period. The cash balance at the year-end was £3,897k. 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

Dissolution of HEFCW

HEFCW ceased operations and was dissolved on 31 July 2024. The functions delivered by HEFCW were transferred to The Commission for Tertiary Education and Research as from 1 August 2024, together with its staff, asset and liabilities.