

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

hefcw

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2022

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Annual report and accounts

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In this document financial year is shown as 2021-22 (April – March) and academic year is shown as AY 2020/21 or AY 2021/22 (August – July)

Performance report

Overview

Accounting Officer's statement on performance

As another year of disruptions continued, which inevitably affected both the higher education sector and HEFCW as an employer, so the work to establish a new Commission for Tertiary Education and Research (CTER) continued apace.

We were able to resume some of the processes we had paused during the previous year as new ways of working became embedded at higher education (HE) institutions, and the pressures to adapt became less acute. Priorities became less about reacting to the Covid-19 pandemic, and more about how to resume functions effectively while continuing to work through the impact of the pandemic. We continued to be cognisant of the potential bureaucracy for institutions, not least as they would need to be accountable for the additional funds we were pleased to be able to provide for student-facing activities during the pandemic. However, we also needed to ensure that our regulatory and engagement processes continued to function effectively to ultimately reassure students that they were part of a first-rate higher education sector.

We worked closely with providers as they navigated the effects of the pandemic, including on developing their own financial controls, and with the Welsh Government as they progressed with their COVID-19 guidance.

We have been involved in informing the draft Tertiary Education and Research (Wales) Bill as an external stakeholder and we provided evidence to the Children, Young People and Education Committee. At project level, we continue to work with the Welsh Government's Post-Compulsory Education and Training (PCET) team to support the establishment of CTER. Parallel to this, we found it useful to develop our own transition project to support our staff and our corporate strategy objectives through the changes.

Despite the impending changes, we have continued with HEFCW business as normal.

We distributed additional funding for well-being and health, Net Zero developments and research and innovation; and we consulted on changes to our teaching and research funding methods. We reviewed our degree apprenticeships and how HE providers embedded employability in the curriculum; and we implemented changes to our institutional assurance processes.

We delivered all the activities in our business plan.

Our employees remain our greatest asset. They are resilient, but we must also continue to monitor staff workload and well-being as we engage with the CTER transition. We will continue to ensure that staff remain both involved and supported professionally and personally, through formal policies and employee relations procedures, and by being an emotionally intelligent employer.

We know that changes are on the horizon, and we know we might still need to review the breadth or depth of our functions as we work towards our dissolution. As we do so, we will ensure we work closely with the higher education sector as we embark on this journey together. And we will continue to uphold our commitment to a world class, globally responsible and sustainable higher education system that promotes the interests of students in a socially, economically, environmentally and culturally rich Wales.

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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 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 financial year, HEFCW has a full-time equivalent staff resource of 52 divided into four directorates, each headed by a member of the Management Board.

Key developments in year

On-going impact of the flooding of HEFCW's office and of the Covid-19 pandemic

Following flooding in February 2020, and the Covid-19 pandemic restrictions that came into effect from March 2020, our office was unavailable between February 2020 and October 2021, and again between December 2021 and February 2022, with disruption to all our business activities. Consequently, homeworking has been the main basis for HEFCW operations during 2021-22, as also was the case in the previous year. However, our key ICT systems and support have continued to remain functional throughout the year, and through adapted ways of working, including holding a greater number of meetings by video conferencing, we have successfully maintained business continuity and all our core operations.

We have continued this year, to liaise closely with the Welsh Government, HE providers in Wales, Universities Wales, and the National Union of Students (NUS) Wales, to assess the on-going impact of the Covid-19 pandemic on institutions, students and staff, and how the sector has responded to these challenges, to ensure that quality and the student experience were being appropriately managed and maintained.

Universities have implemented additional financial controls to ensure their sustainability during the Covid-19 pandemic. This includes implementing strong controls to reduce and defer expenditure and retain cash to provide additional headroom to manage the uncertainties resulting from the pandemic.

In addition to our own guidance and information, we continued this year to assist the Welsh Government as required with the development of its own published [higher education coronavirus guidance](#) and with its plans to support those who have experienced disrupted learning during the pandemic through the [Renew and Reform](#) programme.

Tertiary Education and Research (Wales) Bill and CTER transition arrangements

On 1 November 2021 the [Tertiary Education and Research \(Wales\) Bill](#) (the Bill) was introduced in the Senedd. In March 2022 the Senedd approved the general principles of the Bill and the Bill moved to Stage 2 of the process for Senedd scrutiny of Public Bills.

We have sought to inform the legislation as an external stakeholder. Last year we [responded](#) to Welsh Government's consultation on the draft Bill. This year we continued to engage through providing evidence to private and public sessions of the Children, Young People and Education

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Committee (CYPE) in November 2021, and [by responding](#) to the CYPE Committee's inquiry into the general principles of the Bill in December 2021.

We continue to meet with the Welsh Government's PCET project team to support the establishment of the new CTER. Our Chief Executive attends the Welsh Government's Programme Board and the Project Strategy and Implementation Board. We are represented on all of the CTER project work-streams, with HEFCW staff leading on some of these work-streams.

We have developed a CTER transition project of our own, the aims of which are to support our staff through the changes; ensure we continue to deliver our Corporate Strategy objectives; and to contribute to enabling CTER to deliver its role from the earliest point in time. We have developed an action log to support our transition project, with the aim that it will complement Welsh Government's overarching CTER implementation plan once that is in place.

Regular, detailed scrutiny of CTER developments is undertaken by our Council and its committees, with responsibility for advising on the transition of HEFCW into CTER set out in each committee's Terms of Reference.

Monitoring UK HE developments and their import for Wales

We organised a Higher Education Strategy and Policy forum meeting in July 2021, attended by the HE sector and representatives from Welsh Government, to reflect on major HE policy developments at a Wales and UK level that will have an impact on students and universities in Wales, including Welsh research opportunities and challenges.

We continued to arrange and chair meetings of the Looking Forward Group, which in 2021-22 discussed the Welsh Government's Programme for Government and how the HE sector might contribute to it and, also the impact of policy developments in England on the Welsh sector.

Funding

In June 2021, we announced our main [teaching, research and innovation funding allocations for AY 2021/22](#), followed in July 2021 by [Higher Education Research Capital](#) funding for 2021-22.

We have received three revised remit letters during 2021-22, each time allocating additional funding. In November 2021, this included [£1.3m Well-being and health funding](#) for higher education providers to work collaboratively with their Students' Unions to support well-being and health as we emerge from the Covid-19 pandemic and £750k to support [improvements in ventilation](#) in their buildings, to reduce the risk of spreading Covid-19.

In February 2022, the Welsh Government allocated £40m to be distributed to higher education institutions for maintenance, equipment and other developments that support the transition to net zero and digital transformation; £10.5m as additional QR (Quality Research) funding, including £500,000 to support Net Zero Wales developments; and £2m to support further investment in the Wales Innovation Network (WIN). In March 2022, we were able to repurpose £3.05m previously allocated to degree apprenticeships towards unmet demand in postgraduate research student training.

We [allocated](#) and paid all of these additional funds to higher education providers during the 2021-22 financial year, and we are monitoring the way in which these funds have been spent and the impact they have had on improving the student experience and strengthening the research and innovation base in Wales.

Teaching funding review

We consulted on the first stage of the review of our [teaching funding methodologies](#), for implementation in AY 2022/23, and sought views on priorities for future funding. We also indicated how we intended to take forward the second stage of the review for implementation

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from AY 2023/24 onwards, taking account of the responses to the first stage consultation and engagement with institutions, partners and stakeholders.

Research funding and other research and innovation matters

We consulted on a new [Research Funding method](#) for allocating HEFCW's unhypothecated research funding, which will replace our current methods for allocating QR and PGR support funding streams from AY 2022/23. As part of the review of our research funding, we also consulted on the funding method for [Wales Studies publications](#).

We funded the expansion of the Learned Society of Wales' national support scheme for researcher development with a one-year grant of £103k.

The funding level of the Research Wales Innovation Fund (RWIF) in AY 2020/21 was increased to £15m, enabling institutions to accelerate their activity outlined in approved RWIF Strategies. Initial monitoring showed that despite the pandemic, progress was being made in core investment areas.

All Welsh institutions have committed to the principles of the [Knowledge Exchange Concordat](#) (KE) and submitted plans to HEFCW highlighting their five priority actions to introduce change and improvements and better support KE activity in Wales.

We reviewed and updated our *Research and Innovation: The Vision for Wales* document, and produced the first [annual report against the Vision](#).

We have engaged with ongoing UK-wide developments relating to research and innovation, including hosting a joint Research Wales Committee/Pro Vice-Chancellor for Research and Innovation workshop on UK strategies and the implications for Wales in October 2021. A [report](#) on that workshop was published in February 2022.

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 2020/21, reflected that we continued to operate the amended regulatory process to support regulated institutions during the Covid-19 pandemic. The report confirmed that, during the reporting year, no regulated institution had failed to comply with the regulatory requirements associated with a Fee and Access Plan. The report also confirmed that there were no failures to comply with the regulatory system as it relates to quality.

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. There will be areas where HEFCW has engaged with institutions regarding their support of students and the delivery of Welsh Government priorities, but fall outside of the criteria of the regulatory report.

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

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report to the Home Office was submitted in March 2022 and covered our assessment and monitoring activity from April 2021 to March 2022.

Institutional Assurance

We have implemented changes to institutional assurance processes, which we consulted on in 2020-21.

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 are funding 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

In October 2021, we initiated a consultation on proposed changes to our [external quality assurance review requirements](#). We are proposing to update our requirements to increase the focus on quality enhancement, in response to the draft legislation for CTER, and to respond to feedback from institutions. HEFCW's Quality Assessment Committee advised on the outcomes and the proposed changes were considered and approved by the Council. In March 2022, we published the [outcomes of the consultation exercise](#).

Widening access

We consulted on the [Reaching Wider Programme](#) for the three-year strategy period AY 2022/23 to 2024/25, provided [guidance](#), and consulted on [funding for the Reaching Wider Partnership](#) for the three years. We have aligned the Reaching Wider Programme to the Welsh Government Renew and Reform priorities and the Curriculum for Wales developments.

We have continued to work with higher education providers to ensure they are supporting learners in the [transition into higher education](#) and are employing [fair admissions practices](#). As part of this, we published this year the outcomes of our consultation on [unconditional offers](#).

Degree Apprenticeships

We commissioned the Quality Assurance Agency for Higher Education (QAA) to carry out a [developmental review](#) of degree apprenticeships across eight lead providers in Wales. The findings of the reviews across the sector were broadly positive, and summarised as four overarching recommendations in the [report](#).

Employability and Skills

We commissioned Advance HE to undertake a survey of employability in the curriculum of Welsh HEIs, based on its [framework for embedding employability in higher education](#). The study combined an analysis of student and staff feedback to deliver a holistic view of how employability is embedded, and when published, will offer insights to support graduate employability in a competitive and changing post-pandemic economic landscape.

Equality and Diversity

We published our latest [equality plan report](#) and reviewed our Strategic Equality Plan 2020-24.

Well-being and health

We announced recurrent funding of £2m a year funding to support universities to implement their [well-being and health strategies](#) in AY 2021/22.

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We funded Advance HE to review higher education providers' strategic equality plans and well-being and health strategies.

We co-funded, with the Office for Students, [the Student Space](#) project to provide additional support, information and guidance to students during the pandemic. Our funding has provided dedicated Welsh language information.

We consulted on [revised guidance on student charters](#), which now includes information on safeguarding as it relates to safe and inclusive higher education and well-being and health, including mental health.

We have [responded](#) to the Senedd's Health and Social Care Committee's inquiry into mental health inequalities and the Welsh Government's Period Dignity Action Plan.

Race: access and success

We funded Advance HE to carry out the [race, access and success in higher education: Making it Happen](#) enhancement programme and hosted an event to disseminate the outcomes in February 2022. In March 2022, we announced our plans to distribute additional funding from AY 2021/22 to support [race equality in higher education](#). We have also contributed to the consultation on the [Welsh Government Race Equality Action Plan](#).

Civic mission

Our Council-led Civic Mission Working Group continued to advise on issues in civic mission policy and approved our work on a mapping exercise of civic mission activity across the sector. Work on this mapping exercise will continue into 2022-23. We have supported the work of the Universities Wales Civic Mission Network.

Tackling violence and harassment against women in HE

We have worked with Welsh Government as they have developed the violence against women, domestic abuse and sexual violence [National Strategy for 2022-2026](#), and hosted an event in February 2022 to bring together higher education providers and third sector organisations and to share practice, including promoting HEFCW [guidance](#) and universities' case studies.

Graduate Support Fund

In March 2022, we announced funding of up to £1.5m for universities to continue the [Graduate Support Fund](#), building on the Welsh Government funding from 2020-21. The funding is to help graduates who are unemployed or in low skilled roles to move closer to the labour market, with a focus on graduates from under-represented groups.

Other consultations and reports:

- Publication of [Higher Education for the Nation: Supporting Students](#), a report on how Welsh universities used the funding provided last year by the Welsh Government, through HEFCW, to support students during the Covid-19 pandemic, which included funding for institutions to implement and support adapted ways of working and provide greater access to support and resources for students.
- Call for proposals to carry out research into the areas where [micro-credentials](#) are most needed to support economic recovery in Wales.
- Publication of the latest progress report on our [National Measures for Higher Education](#), which monitor the performance of higher education providers in Wales.

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Performance in year – overview

Corporate Strategy

We are required by the Welsh Government to have 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, which sets out our vision for higher education in Wales and explains our purpose in regulating, funding and influencing higher education providers in order to achieve that vision. Our Corporate Strategy sets out briefly what we do and what we are trying to achieve in the context of our legislative obligations. It describes how we [support the well-being of future generations](#), as set out under the [Well-being of Future Generations \(Wales\) Act 2015](#). It also states that the delivery of our Corporate Strategy objectives will support the Welsh Government's ambitions for an integrated post-compulsory education and training system, including a set of the strategic duties that will frame the focus of CTER due to be established in 2023 to replace HEFCW.

Our Corporate Strategy contains six core objectives. These objectives provide the framework for our annual business plans. The HEFCW Council receives twice-yearly progress reports against the business plans - once half-way through the year, and once at year-end. For 2021-22, these reports demonstrated that we had 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.

Welsh Government receives business plan progress reports through the receipt of Council papers that they request. 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 2021-22 outcomes

All activities for the year included in our Business Plan 2021-22, including the specific actions from our remit letter 2021-22, were delivered as planned. A number of activities will remain ongoing into 2022-23, including some that will require continued collaboration with Welsh Government or other external bodies as we move towards the establishment of CTER.

Financial overview

<i>Performance in year</i>	2021-22 £000	2020-21 £000
Funding of higher education expenditure	(298,958)	(310,030)
Council expenditure	(3,784)	(3,590)
Income from activities	26,559	21,444
Interest net of appropriations	1	2
Grant in aid – funding from the Welsh Government	274,096	294,452
(Decrease)/increase in Taxpayers' Equity	(2,086)	2,278

Grant in aid (GIA) funding from the Welsh Government has decreased by 6.9% since last year, whilst 'income from activities' increased.

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Although there has been a reduction of £20.4m in GIA received in 2021-22 compared to the previous year, the pre-COVID-19 baseline level of funding was reinstated and additional QR and capital funding was received in the year. During 2020-21, HEFCW had received £125m of one-off funding to help the sector mitigate the effects of the pandemic.

The income from activities is mainly due to the continuation of the UK Research Partnership Investment Fund (UKRPIF) funding during the year (see note 2 to the accounts).

Funding of higher education expenditure has decreased by £11.1m, reflecting the reduction in GIA. Details of the analysis of funding are shown in note 3 to the accounts.

See the Statement of comprehensive net expenditure and the Statement of changes in taxpayers' equity on pages 48 and 51 for further details.

Expected future developments

The Bill, as amended, following scrutiny through Committee and Plenary, was voted on by the Senedd in June 2022 and is expected to gain Royal Assent and become an Act in September 2022.

The aim of the Bill is to establish a new regulatory and funding regime for post-compulsory education providers in Wales and for that regime to be overseen by CTER. It is expected that CTER will be established in 2023 and will result in HEFCW being dissolved by no later than early 2024.

Our continued position is that there is much to be gained for Wales from the establishment of a single post-compulsory education and training sector, regulated and funded by a single arm's length body. We will therefore continue to work with Welsh Government to ensure the successful transition of HEFCW's functions into CTER, whilst maintaining our focus on the delivery of Welsh Government priorities as reflected in our Corporate Strategy objectives.

We stated in our Report last year that the full import of the COVID-19 pandemic, on both HEFCW and the higher education sector in Wales, was uncertain, but that its effects likely would be significant in scope and long-lasting. At the time of writing, with case numbers rising again across the UK, it is clear that the effects of the pandemic are not yet over.

We will continue to work with the HE sector in Wales, and with other stakeholders, to monitor the impact of and on-going risks from the pandemic. This will include on-going discussions about how the lessons learned by and shared between higher education institutions from their experiences of dealing with the pandemic over the past two years have contributed to new ways of planning and delivery, and to building resilience. We will continue to contribute, as required, to the Welsh Government's *Renew and reform: supporting learners' wellbeing and progression* post-COVID-19 recovery plan for education in Wales. We also will continue to assess the effects of the various Covid-support-related funding streams that we received from the Welsh Government and allocated in 2020-21 and 2021-22, in terms of how that additional support has helped students and HE institutions.

HEFCW's Reaching Wider programme guidance (circular W21/38HE) for the new strategy period AYs 2022/23 to 2024/25, published in December 2021, sets out our expectations that Reaching Wider Partnership strategies should contribute to supporting disrupted learning given COVID-19, taking account of the Welsh Government's Renew and Reform guidance.

HEFCW continues to be represented on the Welsh Government's Renew and Reform Post-16 and transitions Group.

We have been monitoring closely the effects on our staff of the pressures of an extended period of remote working, and then restricted access to HEFCW's office, which began with the flooding of the office in mid-February 2020 and the first Covid-19 pandemic restrictions from March 2020.

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We will continue to consider how we might adapt and increase our current support arrangements for staff. At the same time, we will progress our plans and preparations for the eventual return to full use of our office, and as part of this process think about how we might need to adapt and change our ways of working.

There are a number of UK-wide proposed policy developments and reforms affecting higher education, particularly in England, which, if they come to fruition, will have implications for Welsh higher education. We have been monitoring these developments closely and in consultation with the Welsh HE sector and Welsh Government, and will continue to do so in terms of considerations around both potential risks and opportunities for higher education in Wales.

There remains a number of uncertainties for higher education relating to the medium to long-term impact of the UK having left the European Union, not least with respect to clarification around alternative future funding arrangements and initiatives. We will continue to monitor events and developments closely.

We will also update our Quality Assessment Framework to take account of changes to our requirements for institutional review, as well as changes to the context of higher education across the UK. We aim to publish this in July 2022. These changes will ensure that the approaches to quality assessment are fully up to date prior to the implementation of CTER.

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 2021-22 has been to work with Welsh Government on the implementation and implications of the Bill. This work will grow in significance in 2022-23 as we work towards the establishment of CTER and the dissolution of HEFCW. Our focus will be to ensure an orderly transition of HEFCW staff and functions into the new funding and regulatory body, at the same time maintaining impetus in the delivery of our Corporate Strategy objectives.

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) on pages 23 to 31. 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 41 and 42.

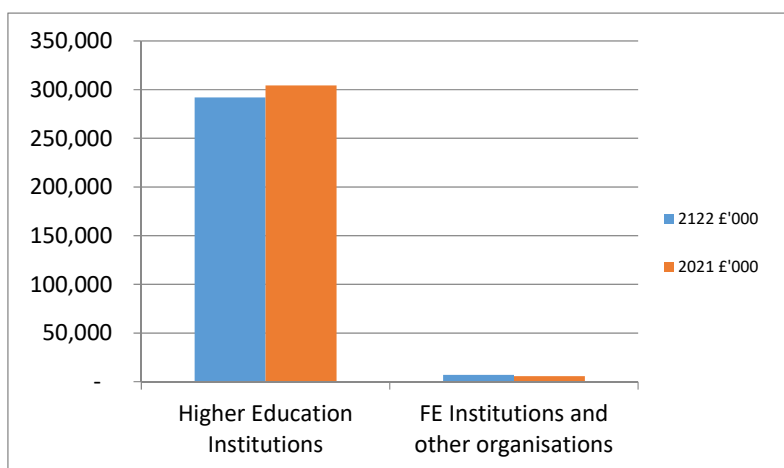
Financial analysis

During 2020-21, HEFCW baseline funding was initially reduced, but then uplifted by £125m of additional grant in aid to support the HE sector due to the effects of COVID-19. Whilst this was one-off funding for 2020-21, in 2021-22, the baseline funding was reinstated and additional in-year QR and capital funding was also received. This resulted in a net reduction of only £20.4m year-on-year. In addition to grant in aid funding from the Welsh Government, £26.6m of other income was receivable in 2021-22 (2020-21: £21.4m). This increase of £5.2m is primarily due to the continuation of UK Research Partnership Investment Fund (UKRPIF) funding in the year for a project at Swansea University (see note 2 to the accounts).

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Total expenditure in 2021-22 was £302.7m (2020-21: £313.6m). Of this, £298.9m (2020-21: £310.0m) relates to the funding of the higher education (£291.9m to higher education institutions and £7.0m to further education institutions and other organisations; 2020-21: £304.3m and £5.7m respectively) and £3.8m (2020-21: £3.6m) to other expenditure on our own costs incurred in delivering our duties in respect of higher education in Wales.

Funding of higher education expenditure (£'000)

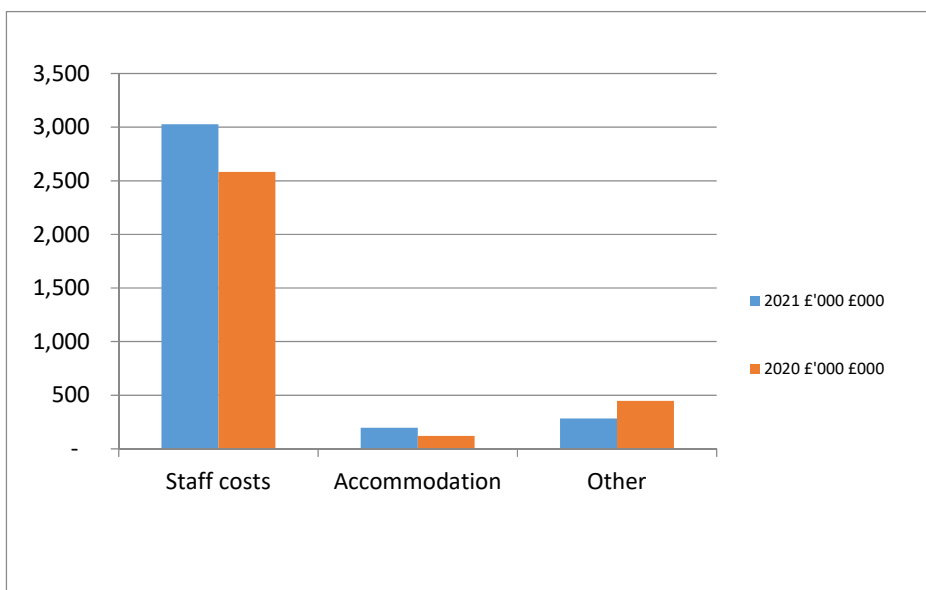


The decrease in 'Funding of Higher Education' expenditure is to be expected in the light of the covid-related additional funding received to support higher education institutions in 2020-21. However, additional funding above the baseline was also received during the year.

The net operating costs for the year were £276.2m (2020-21: 292.2m). As noted in the 'Financial overview' section above, the grant in aid funding from the Welsh Government amounted to £274.1m (2020-21: £294.5m) and was credited directly to the taxpayers' equity general reserve (see 'Statement of financial position' on page 49 and 'Statement of changes in taxpayers' equity' on page 51). The cumulative taxpayers' equity general fund as at 31 March 2022, after crediting the grant in aid funding referred to above, was £4.4m (31 March 2021: £6.5m). The financial accounts will always record a net operating costs' result for the year, as a consequence of the crediting of Welsh Government funding received to the taxpayers' equity general reserve. Our activities are also planned to ensure that our cash carry-forward at the financial year-end remains within the two per cent of total grant in aid for the year allowed by the Welsh Government.

There was no expenditure on property, plant and equipment in the year (2020-21: £101k).

Other expenditure 2021-22 (£'000)



Other financial key performance indicators

The cash balance as at 31 March 2022 was £1.67m which represented 0.61 percent of total grant in aid funds available (2020-21: £1.98m, 0.67 percent) and remained within the maximum of 2% of total funding for the year permitted by the Welsh Government, as set out in the Framework Document.

We are operating under the Welsh Government's target to pay suppliers of goods and services within ten working days of receiving a valid invoice. In 2021-22, we paid 93.5% of invoices within ten working days, with an average payment time of 2.3 days (2020-21: 92.2% and an average of 2.45 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, S6 Biodiversity duty 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 2020-21 (the latest data available), HEFCW procurement efficiencies were £17,600, which equates to a percentage saving of 3.3%. 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

Well-being of Future Generations

This section of the annual report and accounts provides an overview of HEFCW's progress towards meeting our statutory responsibilities in relation to the [Well-being of Future Generations \(Wales\) Act 2015](#) and covers the financial year April 2021 to March 2022.

HEFCW and the well-being duty

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

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

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

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

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

In 2021, we published our new Well-being Statement that aligns with our new Corporate Strategy. We have framed our six Corporate Strategy objectives as our well-being objectives which are:

Objective 1: involve partners and stakeholders at local, Wales and UK level in the delivery of our functions to support the HE system.

Objective 2: challenge and support higher education providers to deliver high quality world-leading research and innovation that advances knowledge and generates new ideas.

Objective 3: challenge and support leadership and governance within higher education with evidence based advice, to deliver a higher education system that is financially, economically, culturally, socially, and environmentally sustainable.

Objective 4: ensure that the Welsh language is integral to all that we do.

Objective 5: challenge and support higher education providers to deliver high quality, accessible and inclusive education and training to all who could benefit from it, to meet the long-term social, cultural, economic and environmental needs of the local, national and global community.

Objective 6: be an exemplar organisation, true to our values¹, where equality, diversity and inclusion, well-being and health, collaboration and sustainability are fundamental principles.

¹ **We act with integrity** – transparent, trustworthy and responsible in our work and relationships with others;
We are supportive – of our partners and stakeholders, each other, our health and well-being and in creating a diverse and inclusive workplace;
We are innovative – in our approach to new ways of working, and challenge ourselves to develop; and
We are resilient – with the expertise to be responsive and adaptable in a changing environment.

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These objectives articulate our commitment to the well-being of future generations. Table 1 illustrates how our objectives contribute to the Act's well-being goals.

Table 1

+ indicates an objective's direct contribution to the Act's goals

□ indicates the opportunity for an objective's indirect contribution to the Act's goals

HEFCW's objectives	A prosperous Wales	A resilient Wales	A healthier Wales	A more equal Wales	A Wales of cohesive communities	A globally responsible Wales	A Wales of vibrant culture and thriving Welsh language
Objective 1	+	+	+	+	+	+	+
Objective 2	+	+	+	+	+	+	+
Objective 3	+	+	+	+	+	+	+
Objective 4	+	□	+	+	□	□	+
Objective 5	+	+	+	+	+	+	+
Objective 6	+	+	+	+	+	+	+

HEFCW's progress towards its Corporate well-being objectives in 2021-22

HEFCW's annual progress against its corporate well-being objectives is monitored through our business plan. All activities for the year included in our Business Plan 2021-22, including the specific actions from our remit letter 2021-22, were delivered as planned. A number of activities will remain ongoing into 2022-23, including some that will require continued collaboration with Welsh Government or other external bodies as we move towards the establishment of CTER.

Further information and updates on business plan activities for 2021-22 can be found in the following sections of this report:

- Key developments in year;
- Performance in year – overview;
- Financial overview;
- Performance analysis; and
- Financial analysis.

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HEFCW's Environmental Performance 2021-22

This section of the annual report and accounts provides an overview of HEFCW's progress towards meeting our statutory responsibilities in relation to the [Environment \(Wales\) Act 2016](#) and the Welsh Government Net Zero carbon reporting requirements and covers the financial year April 2021 to March 2022.

In October 2021, we submitted to the Welsh Government (WG) our first Net Zero carbon report for 2019-20, which will act as our baseline year. The report provided the WG with our emissions data for the following areas:

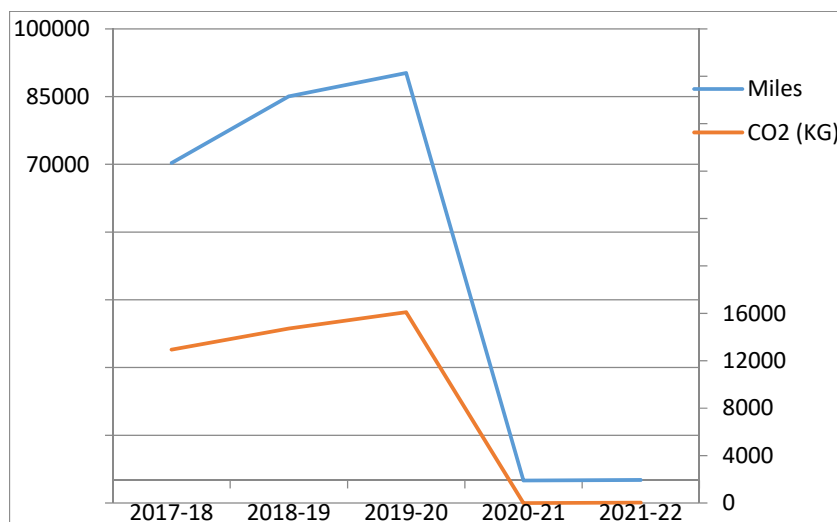
- Operations emissions
 - HEFCW is a tenant of the Welsh Government. The Welsh Government accounts for all CO2 emissions data for the Bedwas office in their administrative estate baseline report to avoid duplication of data reporting.
 - Business mileage
 - Commuting mileage
- Supply chain emissions

In November 2021, HEFCW responded to Audit Wales: decarbonisation baseline review call for evidence.

HEFCW's response to the baseline review questions were set in the short-term, due (at the time the response was submitted) to the originally scheduled dissolution of HEFCW in 2023 to be replaced by CTER, initially scheduled to be established in April 2023. Therefore, work to develop a decarbonisation action plan were not considered to be a high priority for HEFCW, given that the plan would have been obsolete within 12 months or a good use of HEFCW staff resources, given the increasing workload demands in planning for the transition to CTER, originally in April 2023.

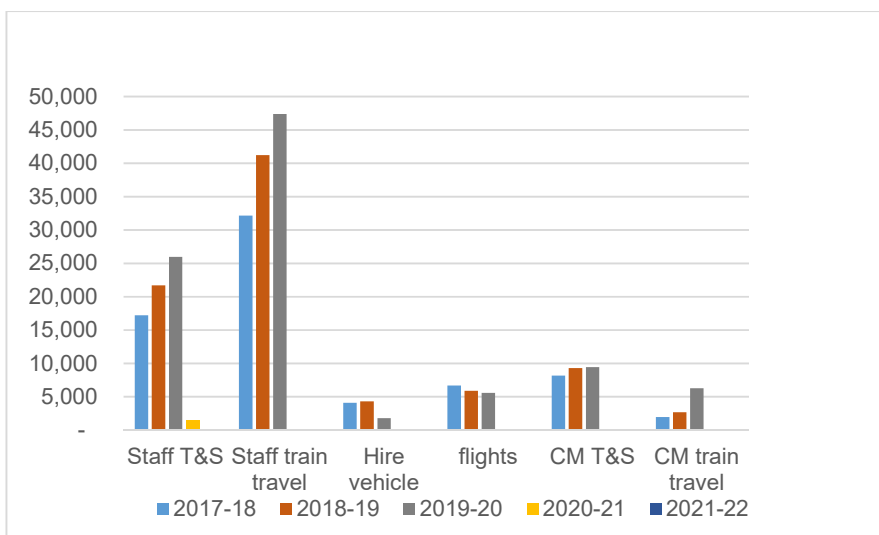
Business Travel

HEFCW Business Mileage and CO2



Annual mileage and methods of transport will always vary depending on changes to Council members' business travel and the general business need, though train travel remains the most frequent method of travel. Due to continued Covid-19 related working from home rules being in operation for the second year, there was minimal business travel undertaken in 2021-22.

Business Travel Breakdown (miles)



Business travel summary

The current year saw virtually no carbon emissions for the year due to the continued requirement to work from home because of the pandemic. Prior to this, 2019-20 had seen a 6% increase in carbon emissions arising from business travel (829KG), mirroring the overall increase of business travel (9,935 miles). As mentioned previously, annual mileage will always vary depending on the impact of changes to Council members' business travel and the general business need. We continue to encourage staff to avoid business travel where possible and to use the train where viable, particularly for longer journeys.

Waste Minimisation

Due to the flood in February 2020 followed by the effects of the Covid-19 pandemic, HEFCW staff have been unable to work in the office for most of the whole year. As a result, we have no information on this.

Assessment of our current position and future direction

Over the past twelve months, we made continued progress in embedding the sustainable development principle, the five ways of working and the seven well-being goals across HEFCW as an organisation.

As we transition into CTER, our sustainable development priorities will be focused on supporting the transition, which includes:

- Continuing to evidence progress and impact throughout the transition period;
- Developing a package of sustainable development training for staff; and
- Continuing to take steers from our committees, research reports and the Well-being of Future Generations Commissioner's office.

Dr David Blaney
Chief Executive and Accounting Officer
22 September 2022

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. Interim Chair 05/01/21 to 04/01/22). *Former Director of the Open University in Wales*

Chief Executive (and Accounting Officer)

Dr David Blaney

Other Council members:

Name	Personal history	Term of office	Committee membership
Professor Mark Smith CBE (Deputy Chair)	President and Vice-Chancellor, University of Southampton	01/01/19 to 31/12/21 reappointed 01/01/22 to 30/06/23	Research Wales Committee (Chair)
Professor Aaqil Ahmed	Professor of Media, University of Bolton and former Head of Religion and Ethics at BBC and Channel 4	07/04/18 to 06/04/21 reappointed 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 30/11/25	Research Wales Committee Student Opportunity and Achievement Committee

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Name	Personal history	Term of office	Committee membership
Professor Tracy Bhamra	Senior Vice-Principal (Student and Staff Experience), Royal Holloway, University of London	01/04/19 to 31/03/22 reappointed 01/04/22 to 31/03/27	Research Wales Committee Quality Assessment Committee Regulation Committee (from Feb 2022)
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/18 to 21/04/21 reappointed 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	01/08/18 to 31/07/21 reappointed 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, the 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	Student Opportunity and Achievement Committee (Chair) Regulation Committee (from Feb 2022)
Dr Peter Higson	Former civil servant	05/05/20 to 04/05/23	Research Wales Committee Audit and Risk Assurance Committee

The Chair of Council chairs the Nominations Committee (whose membership includes the Chairs of each of the other committees listed above) and is a member of the Remuneration Committee. He was also a member of the Regulation Committee until February 2022.

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

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Composition of Management Board

The HEFCW Management Board is responsible for our management and operation. It comprises: the Chief Executive; Deputy Chief Executive; Director of Policy and Funding; Director of Regulation and Analysis; Director of Corporate Planning and Director of Corporate Services.

Declarations of interests

Details of Council members' declared interests are available on our [website](#).

Personal data related incidents

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

Statement of Accounting Officer's Responsibilities

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on the going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

Accounting Officer's statement

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

Dr David Blaney
Chief Executive and Accounting Officer
22 September 2022

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Governance Statement

Governance Framework / Corporate Governance

Scope of responsibility

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

HEFCW Council

At the end of 2021-22, the Council comprised 11 members. The Council continues to benefit from a diverse membership in terms of the mix of skills, knowledge and experience. We continue to monitor closely the diversity and skills mix of the membership of the Council's various committees and when seeking new external representation actively encourage applications from currently under-represented groups.

During 2021-22, there were six formal Council meetings, two Council Workshops, and four Council visits to regulated providers. There were a total of 53 out of 66 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 also 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, widening access, equality and diversity, and skills and employability, with the aim of ensuring that Welsh higher education meets the needs and expectations of learners and other stakeholders.

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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; the receipt of the minutes of each committee meeting; and the receipt of an annual report from each committee.

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, and all of these had been 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 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 2021, the Committee concluded that it was operating in line with accepted best practice for audit

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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. This year the Committee has also agreed to receive as a new standing item an update on developments relating to the Bill and the Welsh Government's plans to establish CTER.

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).

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 this year HEFCW's annual report to Welsh Government on HEFCW's regulatory functions; Welsh Language Standards Annual Report 2020-21; and the Strategic Equality Plan Annual Report 2020-21.

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.

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We received our initial remit letter for 2021-22 in March 2021. In July 2021, we submitted to the Minister our Business Plan for 2021-22, and we were notified in September 2021 that the Minister had noted the Plan. Our Council receives bi-annual reports on progress against our business plan targets.

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 2020/21.

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 2021-22.

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 and assurance reports – has 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 for 2021-22 highlighted no major issues or significant weaknesses in our internal controls during the year which warrant disclosure here.

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

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- 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 for use by Council members and HEFCW staff, which contains a wide-range of performance data on each Welsh institution.

The Audit and Risk Assurance Committee has agreed that HEFCW should develop an assurance framework, which will enable the Committee to identify and monitor more effectively all key sources of assurance and significant issues. A database has been developed to support the framework and the documentation of the organisational processes and sources of assurance is ongoing during 2021-22.

Tax assurance for off-payroll employees

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

Whistleblowing arrangements

Our whistleblowing policy and supporting procedures were last revised in 2017-18 and scrutinised by our Human Resources, and Audit and Risk Assurance Committees. A full review of these documents has been in progress and is due to be completed in the early part of 2022-23. 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 2021-22 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 and Issues Log are 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

Higher Education Funding Council For Wales

Corporate Risk Register indicates that these are areas of risk, of which we need to be aware 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 in 2021-22

Our most significant risks this year have related to the uncertainties associated with the Bill and the transition arrangements that will see the closure, followed by dissolution, of HEFCW and the establishment of CTER. The Council and the Audit and Risk Assurance Committee have monitored closely these developments through the year, and their impact on risks to HEFCW. We remain supportive of the underlying principles of the Bill and of the proposed establishment of CTER to oversee post-compulsory education and training in Wales, however we see a number of risks with the legislation as introduced, and also risks to HEFCW from the transition arrangements as they have emerged this year.

We recognise as a risk not being able to encourage the Welsh Government to engage effectively with and use HEFCW in relation to the establishment of CTER. We are seeking to mitigate this risk through regular dialogue with the relevant Welsh Government officials, and through our engagements with the Welsh Government's Project Team responsible for the CTER preparations. We have welcomed that this year HEFCW has been allowed to engage more fully in these processes. HEFCW's Chief Executive now attends the CTER Programme Board and also the CTER Strategy and Implementation Board, and we have representation on a number of CTER programme work-streams. We are also represented on Welsh Government's Implementation Leads Group, which has enabled us to contribute to discussions on the development of the CTER implementation plan. We have agreed to develop our own action plan to support the CTER transition arrangements, with a clear focus on supporting our staff and prioritising the delivery of our Corporate Strategy vision and all of our statutory obligations. We will review and adjust our action plan as necessary once the Welsh Government has agreed the CTER implementation plan. In addition to these operational engagements, the HEFCW Chair and Chief Executive discuss developments associated with the Bill and CTER in their regular meetings with the Minister.

A significant risk arising from the CTER transition arrangements has been the impact on HEFCW staff morale due to the continued uncertainty. In particular, staff have become increasingly concerned at the lack of clarity over the timelines for the closure of HEFCW and the establishment of CTER, and on the arrangements for the organisational structure and job matching process for CTER. We see an increasing risk of losing staff, and therefore a risk to HEFCW business continuity from the loss of skills and knowledge that will not be easy to replace given the short time left for the organisation. The potential loss of experienced staff also represents a considerable risk to CTER when it is established. We have been trying to mitigate these risks by supporting our staff in preparing for the transition, including assistance with career development and further training, and through regular engagements with staff to share information, issues and concerns. We are engaging regularly with our Works Council, and there is PCS union representation on the CTER Programme Board.

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With respect to the Bill, we have continued to engage as required with the legislative process, including by providing evidence to the CYPE Committee. In December 2021, we submitted our response to the [CYPE Committee's consultation on the general principles of the Bill](#), and in that proposed a number of amendments to the Bill to avoid what we regarded as a number of risks to the Bill's implementation and thereby to the Welsh Government's aspirations for post-compulsory education.

A further operational risk that we have continued to monitor this year is that of excessive workload in HEFCW. In particular, we are seeing increased work pressures as we engage further with the CTER transition processes while simultaneously ensuring that we continue to address our statutory responsibilities as a funder and regulator, and to meet our Corporate Strategy objectives. We have been mitigating this risk through our various policies and procedures aimed at helping with staff retention, managing absence and supporting employee relations. We have also been trying to identify areas where work commitments could be reduced or transferred, with an emphasis on addressing our Corporate Strategy and Welsh Government priorities, and to introduce effective work training and better delegation and forward planning. We have recruited a number of additional staff this year to improve our capacity in certain areas, and we are considering options for further strengthening our staff resource.

Following flooding in mid-February 2020, and then the Covid-19 pandemic restrictions from March 2020, HEFCW staff have been required, for the majority of the reporting year, to work remotely. This has followed a full year of being required to work remotely in 2020-21.

All members of HEFCW staff have a dedicated tablet with a fully encrypted, secure VPN connection; the use of HEFCW email services; and phone systems redirected to staff homes. The reliability of these systems throughout the year has enabled remote working arrangements to continue without any significant interruption. We have also continued to use video conferencing, along with our electronic processes for securely distributing agendas and papers, to continue to hold Council, committee and internal meetings throughout the year. The Council has established an Executive Committee to consider and approve recommendations for Council decisions should it be determined that the Council was unable to function as normal, although it has not been necessary to use these backup arrangements this year.

We recognise that our employees are our greatest asset, and that a further year of required remote working has increased the risks and challenges associated with staff well-being and health, including mental health. We put in place from the beginning of pandemic in 2020 a number of additional arrangements and support mechanisms for our staff, and these continued to be provided this year. We continue to monitor closely the on-going effects on our staff of the pressures of this extended period of remote working, and to consider how we might adapt and increase our current support arrangements.

We recognise that we have been fortunate with the resilience shown by HEFCW staff for another year, and with the robustness of our IT systems and support. We remain alert to the on-going risks of stretched staff resources, and of the need to ensure that our IT systems remain operational and the information stored on them secure.

Since 2020, we have been maintaining a log of lessons learned while the crisis continues. We established an internal Ways of Working Group in September 2020 as a task and finish group, to provide structure in HEFCW's response to working arrangements following the flooding and pandemic. In collaboration with our Health, Safety and Environmental Management Group, the group ensured that the required working practices were reviewed and in place, and planned for the safe use of the office. When staff members were permitted to return to the office in October 2021, the group was disbanded.

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External matters: how HEFCW has responded to the risks to the HE sector in Wales

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.

We have continued to liaise closely with the Welsh Government, HE providers in Wales and the National Union of Students (NUS) Wales to assess the on-going impact of the Covid-19 pandemic on institutions, students and staff, and how the sector has responded to these challenges to ensure that quality and the student experience were being appropriately managed and maintained.

In response to the pandemic, in 2020 we streamlined selected elements of our assurance and regulatory processes, and postponed certain other requirements, in order to give HE providers space to deal with the crisis. This approach still enabled us to be provided with sufficient levels of assurance, whilst also allowing institutions the time and space to focus on operational responsiveness and effective governance. In this reporting year 2021-22, we have returned to a more normal approach in respect of our assurance processes and some elements of our regulatory processes. Whilst we have maintained a more streamlined approach to some elements of our regulatory processes, such as in respect of Fee and Access Planning, we have adapted these processes to ensure that we can continue to gain sufficient assurances.

We have received from the Welsh Government a number of in-year funding support packages, some of which are to assist the HE sector in addressing the on-going challenges from the pandemic challenges (further can be found in the *Key developments in year* section on page 4, and in the *Performance analysis* section from page 11). We have developed robust and fair allocation processes that ensure appropriately targeted distribution of the funding. This is in keeping with Welsh Government criteria, along with robust monitoring arrangements, in a context where the speed and urgency of providing the funding support has been at the fore. We have mitigated this risk in a number of ways:

- Regular engagements with the Welsh Government; the sector and individual institutions; and other key stakeholders, including NUS Wales
- Establishment of clear and robust funding criteria and monitoring arrangements for the use of the funding allocated.
- Full transparency about our approach, including the publication of circulars to consult on and subsequently announce our funding decisions.
- Strong assurance and oversight arrangements by the HEFCW Council, with support of Council committees.
- Regular reporting to the Welsh Government on our processes and, in due course, on the impact of the funding.

With respect to our regulatory responsibilities for quality, we are aware that the on-going nature of the pandemic, with extended disruption to students' studies, has created risks around institutions failing to meet student expectations regarding standards and quality. To mitigate these risks, we have been closely engaging with institutions about how they are addressing quality, and we have published guidance to help ensure institutions are able to maintain a focus on quality and standards and manage student expectations.

As we move into 2022-23, we will continue to work with the Welsh Government to help deliver a smooth transition process to establish CTER, while also ensuring that we address all our statutory responsibilities. We also will continue to work closely with the HE sector and the Welsh

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Government to monitor the risks and impacts from the pandemic, and to identify ways in which the Welsh HE sector can assist in Wales's recovery from it.

Conclusion

As Accounting Officer of HEFCW, I am accountable to the Permanent Secretary of the Welsh Government as its Principal Accounting Officer for the discharge of my responsibility to maintain sound systems of governance, risk management and internal control. I have reviewed the evidence provided with regard to the production of the annual governance statement. The conclusion of my review is that our overall governance and internal control structures have been appropriate for our business, and have worked satisfactorily throughout 2021-22.

Dr David Blaney
Chief Executive and Accounting Officer
22 September 2022

Remuneration and staff report

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

Directors' remuneration policy and remuneration committee

The remuneration of the Chair and the Council Members is set by the Welsh Government and is governed by the Welsh Government's Scheme for Remunerating Chairs and Members of WGSBs and NHS Bodies introduced on 1 April 2004.

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

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

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

The Committee met during the year and reviewed the Chief Executive's performance and agreed that, based upon his performance in 2020-21, the recommended consolidated pay increase for 2021-22 should be the same as for HEFCW staff (in common with previous pay awards). This increase was subsequently confirmed as a 2% revalorisation award, which uplifted the Chief Executive's salary from £133,347 to £136,014.

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Remuneration (including salary) and pension entitlements

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

Senior employees' remuneration (salary and pensions)*

Single total figure of remuneration*

Name and position	2021-22 Salary £'000	2020-21 Salary £'000	2021-22 Pension benefits £	2020-21 Pension benefits £	2021-22 Total £'000	2020-21 Total £'000
Rob Humphreys (Chair)	20-25	05-10	N/A	N/A	20-25	05-10
David Allen (Chair)	-	15-20	N/A	N/A	-	15-20
Dr David Blaney (Chief Executive)	135-140	130-135	31,155	68,017	165-170	200-205
Bethan Owen (Deputy Chief Executive)	95-100	90-95	36,947	48,526	130-135	140-145
Nicholas Williams (Director of Corporate Services)	70-75	70-75	8,487	24,483	80-85	95-100
Dr Alyson Thomas (Director of Corporate Planning)	30-35	65-70	19,998	45,951	50-55	110-115
Dr Ewen Brierley (Director of Regulation and Analysis)	65-70	65-70	37,437	40,195	105-110	105-110
Harriet Barnes (Director of Policy and Funding)	45-50	-	18,787	-	65-70	-

NB There were no benefits in kind or bonus payments in either 2021-22 or 2020-21 for the above.

Rob Humphreys was appointed Chair from 5 January 2022 having previously been appointed Interim Chair from 5 January 2021. The total salary disclosed for the year ended 31 March 2022 was £24,264 (2020-21: £5,817 from 5 January to 31 March 2021).

David Allen's tenure as Chair expired on 4 January 2021. The total salary disclosed for the year was £nil (2020-21: £18,384 for the period to 4 January 2021).

The full-time salary relating to these appointments is £24,264.

Dr Alyson Thomas served as the Director of Policy and Funding until 28 June 2021, with a salary of £69,832 per annum. She returned after a three-month unpaid career break in October 2021 as the Director of Corporate Planning on a part-time 0.48 FTE basis, with a salary of £33,972 per annum.

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Harriet Barnes joined HEFCW as the Director of Policy and Funding on 28 June 2021. Her salary was £63,176 per annum.

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

The pension benefits' figure of £36,947 for Bethan Owen included approximately £12,000, which resulted from additional pension contributions made by the Deputy Chief Executive during the year.

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/22 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/22 £'000	CETV at 31/03/21 £'000	Real increase in CETV £'000
Rob Humphreys	Chair	N/A	N/A	N/A	N/A	N/A
David Allen	Chair (to 4 January 2021)	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	80-85	0 – 2.5	1,580	1,478	13
Bethan Owen	Deputy Chief Executive	35-40	2.5 - 5	710	637	23
Nicholas Williams	Director of Corporate Services	20-25	0 – 2.5	427	413	7
Dr Alyson Thomas	Director of Corporate Planning	15-20 plus lump sum 40-45	0 - 2.5 plus lump sum 0 - 2.5	379	343	16
Dr Ewen Brierley	Director of Regulation and Analysis	20 -25	0 – 2.5	358	314	25
Harriet Barnes	Director of Policy and Funding	0-5	0 – 2.5	11	0	7

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Salary and pension disclosures*

Dr David Blaney, the Chief Executive, has a permanent contract, which stipulates a three-month notice period. In the circumstances of a compulsory early termination of the contract on grounds of either structure or redundancy, the Chief Executive will be eligible for benefits under the rules of the Civil Service Compensation Scheme.

The Deputy Chief Executive and the Directors also 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 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 and Chief Executive) receive non-pensionable remuneration of £5,076 per annum (see pages 18-19 for a full list of other Council Members).

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

Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus, Nuvos and Alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and thirteen years and five months from their normal pension age on 1 April 2012 will switch into Alpha sometime between 1 June 2015 and 1 February 2022. 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

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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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus, 65 for members of Nuvos, and the higher of 65 or State Pension Age for members of Alpha (the pension figures quoted for officials show pension earned either in PCSPS or in Alpha – as appropriate. Where the official has benefits in both PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

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

Cash equivalent transfer values

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

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

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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.

Fair Pay disclosures*

	2021-22 £'000	2020-21 £'000
Band of highest paid member of staff (total remuneration**)	135-140	130-135
Median total remuneration**	£ 45,803	£ 42,768
Ratio	3.0	3.1
25 th Percentile	35,091	32,517
75 th Percentile	47,985	48,484

**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 our most highly paid senior employee in 2021-22 was £135,000 to £140,000 (2020-21 - £130,000 to £135,000). This was 3.0 times (2020-21: 3.1) the median salary of all staff, which was £45,803 (2020-21: £42,768).

The median ratio has reduced slightly again this year to 3.0. During the year, all staff including the Chief Executive had a pay award and some staff were also due annual increments but not the most highly paid senior employee. Due to the nature of our work, HEFCW has a high proportion of staff at middle job levels resulting in the median shown above.

The movement of the 25th and 75th percentiles values between 2020-21 to 2021-22 reflect the number of staff at middle job levels and their progress along the pay steps within those levels.

In 2021-22, no employees (2020-21: none) received remuneration in excess of the highest-paid senior employee. Remuneration ranged from £19,994 to £136,014 (2020-21: £19,602 to £133,347).

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Staff report

Staff numbers by category

We employed an average of 52 full time equivalent staff during the financial year ended 31 March 2022, as follows:

	2022 Number	2021 Number
Senior Management	5	5
Chief Executive's Office	3	4
Policy and Funding	18	15
Regulation and Analysis	13	12
Corporate Services	13	12
	<u>52</u>	<u>48</u>

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

	2022 Number	2021 Number
Staff with a permanent UK employment contract with us	51	47
Other staff engaged on our objectives	1	1
	<u>52</u>	<u>48</u>

Staff costs

(a) Analysis*

	Staff	2022 Council members (incl. Chief Executive)	Total	Staff	2021 Council members (incl. Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,305	206	2,511	2,120	210	2,330
Social security costs	254	20	274	230	21	251
Other pension costs	640	41	681	585	42	627
Total payroll costs	<u>3,199</u>	<u>267</u>	<u>3,466</u>	<u>2,935</u>	<u>273</u>	<u>3,208</u>
Less:						
Staff on secondment	(9)	-	(9)	(28)	-	(28)
Charges to programme costs	(198)	-	(198)	(153)	-	(153)
Administration payroll costs	<u>2,992</u>	<u>267</u>	<u>3,259</u>	<u>2,754</u>	<u>273</u>	<u>3,027</u>

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(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 2021-22, our employer’s contributions of £682,537 were payable to the PCSPS (2020-21 - £614,517) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 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 2020-21 and amounted to £22,000 at 31 March 2021.

(c) Staff numbers by gender

	2022	2021
<i>Male</i>		
Directors	3	3
Staff	15	13
<i>Female</i>		
Directors	3	2
Staff	35	33
Total	56	51

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

(d) Sickness absence

	2022	2021
Sickness absence rate (%)	1.2	0.66
Average working days lost	4.34	2.64
Number of working days lost	178	90
Approximate cost of working days lost	£30,274	£14,583

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).

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1.2% of potential working time was lost in 2021-22 due to sickness absences (2020-21 – 0.66%). The annual sickness absence rate for 2021-22 has increased and returned to more normal levels following the very low sickness rate of 2020-21. The increase in social interactions is likely to account for the increase of sickness absence. There were also longer-term sickness absences that adversely had an impact upon the sickness rate due to the small numbers involved.

These sickness absence figures exclude disability and Covid-19-related absences, in order to make the comparison of figures meaningful. Previously, HEFCW rates have been below average for the public sector. In the CIPD report on *Health and Wellbeing at Work* (March 2020), it noted a sickness absence rate of 2.6% (5.8 days per employee) for the UK as a whole. The report also noted that the average number of days lost within the public sector was 8.0 days per employee, which is significantly higher than HEFCW's 2019-20 figure of 2.0 days. A 2021 update of these numbers by the CIPD is not available due to the different ways in which organisations have reported Covid-19-related absences for 2020-21.

Staff policies and other issues

The focus of this year has been supporting staff through the continuing pandemic, but also starting work towards supporting staff in the transition into CTER.

Coronavirus staff guidance has been updated as time progressed to remain current and relevant in order to provide staff with the right support to be able to balance their work and home lives. During the year, the Performance Development Review procedures have been reviewed, an Equality Diversity and Inclusion policy created and new HEFCW Values launched, linked to our new Corporate Strategy.

Each policy is subject to a full staff consultation for comment and its impact assessed in line with equalities, the Welsh language and the Well-being of Future Generations Act 2015's seven well-being goals and five ways of working. These policies are then reviewed by our Works Council (see below) and presented to the HR Committee for approval before being implemented.

Employee engagement and Trade Union activity

Regular staff meetings and seminars help ensure good internal communications and provide opportunities for staff to contribute to the way we work. The staff meetings continue to take place fortnightly via video call to support remote working, and to keep staff informed during a changing year.

HEFCW recognises 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 can raise issues of concern to staff and which includes representation from the PCS union, meets on a regular basis.

We conduct biennial staff attitude surveys, which support staff engagement. The survey 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, are included in our organisational action plan, which is accessible to all staff on our intranet.

Equality and diversity

We are committed to developing our equality and diversity policies to ensure that all employees are treated fairly, irrespective of any protected characteristic as defined by the Equality Act. The "Equality, Diversity and Inclusion Group" has met frequently throughout 2021-22, publishing a new Equality, Diversity and Inclusion policy and reviewing recruitment practices with the aim of improving the diversity of staff within HEFCW.

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Our policy on recruitment is 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 can come and meet with HEFCW staff, including HR, to ask questions about our vacancies and our recruitment process.

We have achieved the ‘Disability Confident’ accreditation and we are resolved to meeting the five commitments regarding recruitment, training, retention, consultation and disability awareness. This accreditation was re-assessed in March 2019 and renewed for a further three years.

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

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

Gender pay gap

HEFCW’s mean gender pay gap of 7.72% is a decline in the improvement which was witnessed in 2021 and remains disappointing overall from previous reporting years (see 2018 below). This shows that women on average continue to earn less than men, however the gap is less than in 2019 and lower than the national average. The main influential factor on such fluctuations is the fact that HEFCW has a small headcount overall, and slight changes in the proportion of male and female staff and full and part-time staff can result in a significant change in the mean pay gap.

The median gender pay gap of -2.44% continues to demonstrate how HEFCW employs more women than men and how, at the mid-point, females are earning more. However, it remains a marked change from earlier years.

The total number of staff employed has increased during the year to 57 in March 2022, however, it remains the case that at such a scale, data analysed into quartiles are susceptible to distortion because of the impact of individual salaries. This largely explains the difference between the mean and median values.

All staff, apart from the 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 for the first time, the highest proportion is distributed across the Upper quartile and the Lower quartile.

In making advances, HEFCW continues to undertake anonymous recruitment, where personal details are removed to minimise bias as far as possible and HEFCW is undertaking different measures in recruitment to improve its diversity, such as virtual recruitment Q&A’s, changing the language of adverts and better demonstrating HEFCW as an employer and its inclusivity and support on our website. A review of these changes made in June 2021 will be conducted after 12 months to assess their impact.

HEFCW has a number of work life balance policies that support and encourage employees and we have taken measures to adapt these during the pandemic to reflect and support staff in their individual circumstances. We have a number of part-time staff, flexi-time, homeworking and flexible working patterns, along with supportive special leave policies. These support our staff in being able to have both the desired work life balance as well as furthering their careers.

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These figures are discussed at Management Team, HR Committee and Council in order to ensure we put in place any mechanisms required to continue to build a diverse and inclusive workplace.

	31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Mean gender pay gap	-3.9%	+12.92%	+6.36%	+5.8%	+7.72%
Median gender pay gap	-38.1%	-4.01%	-5.26%	-3.13%	-2.44%

Proportion of males and females in each quartile pay band:

Quartile		31 March 2018	31 March 2019	31 March 2020	31 March 2021	31 March 2022
Lower	(M)	54.55%	36.36%	41.67%	35.71%	21.43%
	(F)	45.45%	63.64%	58.33%	64.29%	78.57%
Lower middle	(M)	30.00%	27.27%	41.67%	46.15%	42.86%
	(F)	70.00%	72.73%	58.33%	53.85%	57.14%
Upper middle	(M)	9.09%	9.09%	8.33%	15.38%	33.33%
	(F)	90.91%	90.91%	91.67%	84.62%	66.67%
Upper	(M)	27.27%	36.36%	33.33%	30.77%	21.43%
	(F)	72.73%	63.64%	66.67%	69.23%	78.57%

Benchmark

Gender pay gap median	18%
Gender pay gap mean	14.8%

[ONS](#) data – public sector gender pay gap for all employee jobs, UK, 2021

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 bake sales, or fund raising events to support good causes, although the pandemic has meant that these activities have had to be put on hold during the year.

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, in conjunction with the internal HEFCW 'Ways of Working' Group, has continued to focus on providing a safe home and office

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working environment. Staff were encouraged to complete DSE self-assessments and adjustments have been made where appropriate to address any concerns. Wellbeing webinars have continued, and general wellbeing support remains available for staff. A Covid-19 Individual Risk Assessment was devised for employees to assess their personal risks when considering future working arrangements, and a risk assessment of the office was undertaken with controls adopted to provide a safe environment for employees who chose to return to the office as restrictions lifted. To support a return, guidance was developed to ensure employees are fully informed of the safety measures in place and the actions they needed to take in preparing for and visiting the office. Staff were permitted to return to the office in small numbers under social distancing rules, in October 2021, and except for a further return to lockdown restrictions in December and January, staff were able to resume working in the office under the same rules as in October. IT staff have been able to work safely in the Bedwas office as business critical staff throughout the year, in order to ensure that all IT services have been maintained.

A number of critical facilities-related tasks were also undertaken before HEFCW employees were able to return to the office. Both HEFCW and Welsh Government arranged fire risk assessments, water tests were carried out to protect against legionnaires disease, portable appliance testing took place, and maintenance was arranged for the shredders. First aider and fire warden cover was discussed with Welsh Government and arrangements included in the 'Return to work' guidance for staff. Cleaning arrangements were kept under review and plans put in place to ensure cleaners were on site to carry out cleaning duties throughout the day. HEFCW also maintained supplies of anti-bacterial gels and wipes for staff to use when visiting the office.

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 year, and as part of our annual review of our fraud and bribery risk register, no individual risks were assessed at a sufficiently high level to be included in a Corporate Risk Register, which would then have been reportable to both the Audit and Risk Assurance Committee and to our Council.

Staff support and wellbeing

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

We introduced a Wellbeing Hour from the start of 2018-19, which allows staff to take time during the working day to undertake an activity that is of benefit to their health and wellbeing. This was extended into 2020-21 and was increased to two hours from the beginning of the year in response to the implementation of remote working for all staff.

A number of staff wellbeing initiatives and adjustments to working practices remain in place, which were brought in as a response to both the flooding of the Bedwas office in February 2020 and the subsequent coronavirus outbreak in March 2020:

- Wellbeing webinars covering working from home, managing remotely, resilience, coping with change.
- Wellbeing time increased from one hour to two hours to encourage staff to take breaks in the difficult circumstances.

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- Employee Assistance Programme promotion increased, reiterating that the service remains available and resources published frequently on a variety of subject areas.
- Sickness arrangement changes, so that any absence directly resulting from coronavirus will not count towards trigger points and staff paid in full, regardless of length of service.
- Additional special leave for caring arrangements, in order to assist staff with balancing childcare or any other dependent care, with work.
- Homeworking expenses paid directly via payroll to the maximum tax-free allowance of £26 per month. This scheme has been withdrawn by HM Revenue and Customs and so final payments for this were made in March 2022.

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 are being 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 pandemic. We have supported individuals through both the Graduate Opportunities (GO) Wales project (European Social Fund project funded partly by the Welsh Government), and those still in secondary education in Wales.

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

Consultancy expenditure

There was £26,412 of consultancy expenditure during the year (2020-21: £64,062).

Off-payroll engagements

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

Exit Packages

There were no exit packages during the year.

Dr David Blaney
Chief Executive and Accounting Officer
22 September 2022

The Certificate and independent auditor's 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 year ended 31 March 2022 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual/United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2022 and of its net expenditure, for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual/United Kingdom Generally Accepted Accounting Practice; and
- 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 expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of 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 report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 report.

Higher Education Funding Council For Wales

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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information given in the Annual Report is consistent with the financial statements.

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

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

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

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Higher and Further Education Act 1992 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer

Higher Education Funding Council For Wales

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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' 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 area: management override.
- Obtaining an understanding of the Higher Education Funding Council for Wales' 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 fundamental effect on the operations of the Higher Education Funding Council for Wales.

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; and 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 and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Higher Education Funding Council For Wales

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 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.

Responsibilities for regularity

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

I obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Adrian Crompton
Auditor General for Wales
29 September 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of comprehensive net expenditure
for the year ended 31 March 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	261,189		234,269	
Capital expenditure	3	10,750		54,000	
Other purposes	5	27,019		21,761	
		<u>298,958</u>		<u>310,030</u>	
<i>Council expenditure:</i>					
Staff costs		3,259		3,027	
Depreciation	8	64		77	
Amortisation	9	7		7	
Other expenditures	6	454		479	
		<u>3,784</u>		<u>3,590</u>	
Total expenditure		(302,742)		(313,620)	
Income					
Income from activities	2		26,559		21,444
Net operating costs			(276,183)		(292,176)
Interest receivable			4		2
Appropriations	7		(3)		-
Net operating costs transferred to taxpayers' equity			(276,182)		(292,174)

All activities are continuing.

There are no recognised gains or losses in either 2021-22 or 2020-21.

The notes on pages 52 to 63 form part of these accounts.

Details of staff costs are shown on page 37 as part of the Remuneration and Staff Report.

Statement of financial position

as at 31 March 2022

	Notes	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Non-current assets			
Property, plant and equipment	8	33	97
Intangible assets	9	6	13
Repayable grants falling due after one year	10a	1,167	2,125
Total non-current assets		1,206	2,235
Current assets			
Repayable grants falling due within one year	10a	958	2,492
Trade and other receivables	10b	1,830	992
Cash and cash equivalents	11	1,674	1,980
Total current assets		4,462	5,464
Total assets		5,668	7,699
Current liabilities			
Trade and other payables	12	(1,199)	(1,143)
Provisions for liabilities and charges within one year	13	(2)	(2)
Total non-current assets plus net current assets		4,467	6,554
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(19)	(20)
Assets less liabilities		4,448	6,534
Taxpayers' equity			
General reserve		4,448	6,534
		4,448	6,534

The notes on pages 52 to 63 form part of these accounts.

Signed on behalf of HEFCW

Dr David Blaney
Chief Executive and Accounting Officer
22 September 2022

Statement of cash flows

for the year ended 31 March 2022

	Notes	2022	2021
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(276,183)	(292,176)
Depreciation charges		64	77
Amortisation charges		7	7
Decrease/(increase) in trade and other receivables due within one year		696	(2,625)
Decrease in repayable grants due after one year		958	2,492
Increase/(decrease) in trade and other payables		56	(226)
Movement in provisions		(1)	-
Net cash outflows from operating activities		(274,403)	(292,451)
Cash flows from returns on investments and servicing of finance			
Interest received		4	1
Interest surrendered to the Welsh Government		(3)	-
Net cash flows from returns on investments and servicing of finance		1	1
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	(101)
Purchase of intangible fixed assets	9	-	(19)
Net cash outflow from investing activities		-	(120)
Cash flows from financing activities			
Funding from the Welsh Government		274,096	294,452
Net cash flows from financing activities		274,096	294,452
Net (decrease)/increase in cash and cash equivalents		(306)	1,882
Cash and cash equivalents at beginning of period		1,980	98
Cash and cash equivalents at end of period	11	1,674	1,980
Net (decrease)/increase in cash		(306)	1,882

The notes on pages 52 to 63 form part of these accounts.

Statement of changes in taxpayers' equity
for the year ended 31 March 2022

	General Reserve
	£'000
Balance at 1 April 2021	6,534
Changes in taxpayers' equity 2021-22	
Net operating costs	(276,182)
Total recognised income and expense for 2021-22	<u>(276,182)</u>
Funding from the Welsh Government	274,096
Balance at 31 March 2022	<u>4,448</u>

The notes on pages 52 to 63 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

(a) Basis of accounting

These accounts are prepared in accordance with a direction issued by Welsh Ministers, with the consent of the Treasury, in exercise of the powers conferred by paragraph 16(2), schedule 1 to the Further and Higher Education Act 1992.

The accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by H M Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy, which is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view, has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts. There are no new accounting standards issued but not yet effective that would have a material effect on these financial statements had they been applied in this reporting period.

(b) Grants for European Union (EU) projects

Income:

We receive grant income relating to EU projects from two sources. Grant income from the Welsh Government in support of European Social Fund projects is credited to the general reserve in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the statement of comprehensive net expenditure in the year in which expenditure is defrayed. The Welsh Government has confirmed that following the United Kingdom's departure from the EU on 31 January 2020, there 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 will have been completed.

Expenditure:

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

(c) Funding

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

(d) Grants payable

These accounts are prepared on a financial year basis to 31 March, but grants payable are issued on an academic year basis to 31 July. Grants payable are recorded as expenditure in the period in which the recipient carries out the activity, which creates an entitlement. Those grants of a recurring nature, mainly the recurrent funding provided to higher education providers, are brought to account when paid. In our opinion, this 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) arrangements. We recognise the expected cost of providing pensions on a systematic and rational basis over the period during which we benefit from employees' services by payment to the PCSPS arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS arrangements.

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

(g) Property, plant and equipment

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

Information technology assets costing more than £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 £500 are capitalised.

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

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

Software licences	- 3 years
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(i) Value Added Tax

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

(j) Operating leases

Operating lease rentals are charged to the operating cost statement in the year to which they relate.

(k) Financial instruments

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

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

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(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 37, which forms part of the Accountability Report.

(n) Going concern

With Royal Assent expected in August 2022 for the Bill, subject to the completion of a project plan and timetable for the establishment of the CTER, it is currently anticipated that HEFCW's activities will cease at some point in the second half of 2023-24 and its staff, assets and liabilities will transfer into CTER. HEFCW has received its remit letter from the Minister setting out its grant-in-aid funding for the financial year 2022-23. This all means that HEFCW's activities will continue and accordingly, these financial statements have been prepared on a 'going concern' basis.

2. Income from activities

	2022	2021
	£'000	£'000
European Union – European Social Fund	1,061	1,016
Department for Business, Innovation & Skills – Research Capital Investment Fund	6,960	9,430
UK Research Partnership Investment Fund (a)	17,935	7,824
Global Challenges Research Fund (b)	-	2,814
Prevent (c)	34	35
Department of Health and Social Care (d)	569	325
	<u>26,559</u>	<u>21,444</u>

- (a) This is 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-related delays, this funding is now due to be received in full by August 2022.
- (b) Official Development Assistance (ODA) Research funding provided under the Global Challenges Research Fund (GCRF) is for the support of cutting-edge research that addresses the challenges faced by developing countries.
- (c) This is funding to support reporting on compliance with the Prevent duty by higher education.
- (d) This is a contribution to universities from the Government through the Department of Health and Social Care towards the cost of Covid-19 testing of students.

Higher Education Funding Council For Wales

3. Funding of higher education

	Recurrent £'000	2022 Capital £'000	Total £'000	2021 Total £'000
Higher Education Providers				
Aberystwyth University	17,742	800	18,542	27,658
Bangor University	20,893	831	21,724	26,614
Cardiff University	94,231	2,667	96,898	90,388
Swansea University	42,942	1,674	44,616	44,490
Wrexham Glyndŵr University	7,107	800	7,907	12,677
Cardiff Metropolitan University	11,091	891	11,982	15,378
University of Wales, Trinity Saint David	12,537	911	13,448	17,314
University of South Wales	26,284	1,670	27,954	36,747
Open University	22,913	506	23,419	12,721
Sub-total	255,740	10,750	266,490	283,987
Further Education Providers				
Grŵp Llandrillo Menai	959	-	959	685
Grŵp NPTC Group	282	-	282	131
Gower College Swansea	65	-	65	51
Sub-total	1,306	-	1,306	867
Other Organisations				
Advance HE	77	-	77	16
Hardisty Jones	13	-	13	-
Quality Assurance Agency	39	-	39	-
UK Research and Innovation	342	-	342	106
JANET (UK) Ltd	2,132	-	2,132	2,041
Jisc Services Ltd	-	-	-	50
KPMG LLP	24	-	24	20
Learned Society of Wales	90	-	90	-
National Union of Students	40	-	40	110
The Office for Students	524	-	524	492
Universities UK	1,745	-	1,745	1,311
Welsh Government (a)	471	-	471	467
Other	201	-	201	170
Sub-total	5,698	-	5,698	4,783
Total	262,744	10,750	273,494	289,637
Less ESF funded expenditure (see note 5)	(1,555)	-	(1,555)	(1,368)
Total	261,189	10,750	271,939	288,269

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

Higher Education Funding Council For Wales

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, with an extension to 28 February 2022 for 2020/21 in recognition of the global pandemic. A review by us of providers' 2020/21 financial statements confirmed that each provider's external auditors had considered that grants had been used for their intended purpose and no adjustments to grants were necessary. In previous years, an end of year clawback has been calculated for credit-based teaching funding. However, due to the current Covid-19 crisis, HEFCW's Council has agreed that no clawback will be applied arising from the monitoring and audit of academic years 2018/19 or 2019/20's student numbers due to the detrimental impact of the pandemic on the financial position and anticipated cash flows of institutions during the forthcoming year

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

5. Expenditure for other purposes

	2022	2021
	£'000	£'000
European Social Fund	1,555	1,368
Research Capital Investment Fund (a)	6,960	9,430
UK Research Partnership Investment Fund (b)	17,935	7,824
Global Challenges Research Fund (c)	-	2,814
Department of Health and Social Care (d)	569	325
	<u>27,019</u>	<u>21,761</u>

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

	2022	2021
	£'000	£'000
Aberystwyth University	690	1,125
Bangor University	597	715
Cardiff University	3,807	4,791
University of South Wales	163	159
Swansea University	1,703	2,640
	<u>6,960</u>	<u>9,430</u>

(b) This is 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-related delays, this is now due to be paid in full by August 2022.

(c) ODA Research funding provided under the Global Challenges Research Fund (GCRF) is for the support of cutting-edge research that addresses the challenges faced by developing countries.

(d) This is a contribution to universities from the Government through the Department of Health and Social Care towards the cost of Covid-19 testing of students.

Higher Education Funding Council For Wales

6. Other expenditures

	2022 £'000	2021 £'000
Administration costs		
Accommodation costs	71	121
Office costs	37	39
Bought-in services	37	88
Auditors' remuneration	25	25
Council members' travel and subsistence costs	-	-
Council members' meeting costs	-	-
Staff travel and subsistence costs	17	18
Staff related expenditure on training, recruitment etc.	92	44
Information technology costs	175	144
	<u>454</u>	<u>479</u>

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

7. Appropriations

	2022 £'000	2021 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	3	-

8. Property, plant and equipment

	Information technology equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 April 2021	665	59	724
Additions	-	-	-
Disposals	(51)	-	(51)
At 31 March 2022	<u>614</u>	<u>59</u>	<u>673</u>
Depreciation			
At 1 April 2021	569	58	627
Charged during year	63	1	64
Released on disposals	(51)	-	(51)
At 31 March 2022	<u>581</u>	<u>59</u>	<u>640</u>
Net book value at 31 March 2022	<u>33</u>	<u>-</u>	<u>33</u>
Net book value at 1 April 2021	<u>96</u>	<u>1</u>	<u>97</u>
Asset financing			
Owned assets			
Net book value at 31 March 2022			33

9. Intangible fixed assets

	Software licences £'000
Cost	
At 1 April 2021	68
Additions	-
Disposals	-
At 31 March 2022	<u>68</u>
Amortisation	
At 1 April 2021	55
Charged for the year	7
Released on disposal	-
At 31 March 2022	<u>62</u>
Net book value at 31 March 2022	<u>6</u>
Net book value at 1 April 2021	<u>13</u>

10a. Repayable grants

	2022 £'000	2021 £'000
Repayable grants		
Balances as at 1 April	4,617	4,617
Repaid during the year	(2,492)	-
Balances as at 31 March	<u>2,125</u>	<u>4,617</u>
Balances as at 31 March		
Within one year	958	2,492
After one year	1,167	2,125
Balances as at 31 March	<u>2,125</u>	<u>4,617</u>

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

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

The scheduled repayment of grants originally planned for financial year 2020-21 was deferred, due to the detrimental impact of the pandemic on the financial position and anticipated cash flow of the institution during the forthcoming year. The deferred payment together with the 2021-22 repayment were repaid during 2021-22.

None of the above grants is interest-bearing.

As at 31 March 2022, there was one provider (2021 – one) with repayable grants outstanding.

Higher Education Funding Council For Wales

10b. Trade receivables and other current assets

	2022 £'000	2021 £'000
Amounts falling due within one year		
Prepayments and accrued income	1,829	991
Other receivables	1	1
	<u>1,830</u>	<u>992</u>
Intra-government balances		
Other central government bodies	1,670	824
Balances with other government bodies	-	-
Balances with non-government bodies	160	168
	<u>1,830</u>	<u>992</u>

11. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash held under Government Banking Service		
Balance at 1 April	1,463	1
Net change in cash and cash equivalent balances	(751)	1,462
Balance at 31 March	<u>712</u>	<u>1,463</u>
Cash held under commercial banks and cash in hand		
Balance at 1 April	517	97
Net change in cash and cash equivalent balances	445	420
Balance at 31 March	<u>962</u>	<u>517</u>
Total cash and cash equivalents	<u>1,674</u>	<u>1,980</u>

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.

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12. Trade payables and other current liabilities

	2022	2021
	£'000	£'000
Amounts falling due within one year		
Accruals	1,199	1,143
Other taxation and social security	-	-
Sundry creditors	-	-
	<u>1,199</u>	<u>1,143</u>

Intra-government balances		
Central government bodies	193	212
Other central government bodies	-	-
Balances with other government bodies	<u>193</u>	<u>212</u>
Balances with non-government bodies	1,006	931
	<u>1,199</u>	<u>1,143</u>

13. Provisions for liabilities and charges

	2022	2021
	£'000	£'000
Broadly by analogy pension liability (see Staff Costs note on pages 36 and 38)	<u>21</u>	<u>22</u>
Analysis of timing of liability		
Falling due within one year (2022-23)	2	2
Falling due between 2023-24 and 2026-27	8	8
Falling due between 2027-28 and 2036-37	<u>11</u>	<u>12</u>
	<u>21</u>	<u>22</u>

14. Commitments under leases

Operating leases

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

	2022	2021
	£'000	£'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	63	63
Later than one year and not later than five years	-	63
	<u>63</u>	<u>126</u>

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

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15. Capital commitments

	2022	2021
	£'000	£'000
Contracted capital commitments at 31 March 2022, not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	-	5

16. Other financial commitments and contingent liabilities

	2022	2021
	£'000	£'000
Revenue grants (a)	54,557	54,924
European projects (b)	2,000	3,578
	<u>56,557</u>	<u>58,502</u>

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

(b) European projects will be funded as follows:

	2022	2021
	£'000	£'000
European Social Fund grants	1,368	2,445
HEFCW	632	1,133
	<u>2,000</u>	<u>3,578</u>

The European projects also have financial commitments of £244k that will be funded by external match-funding contributions from higher education providers and small and medium-sized enterprises.

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

As at 31 March 2022, there were no contingent liabilities (2021 – nil).

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17. Changes to accounting standards not yet effective – IFRS 16 Impact

International Financial Reporting Standards (IFRS) 16 Leases supersedes International Accounting Standard 17 Leases and is effective in the public sector from 1 April 2022. IFRS 16 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 standard might apply, however the remaining term of the lease is 12 months from 1 April 2022 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 that this planned accounting treatment is in line with that of the Welsh Government's accounts.

18. Related parties

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

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

Name	Relationship with related party
Rob Humphreys CBE, FLSW (Chair of Council)	<ul style="list-style-type: none"> ◆ Adviser to the Welsh Government on routes into teacher education, including working with the Open University as the Government-chosen provider ◆ Elected fellow, Learned Society of Wales ◆ Ongoing input and assistance to Global Wales project managed by Universities Wales
Dr David Blaney (Chief Executive)	<ul style="list-style-type: none"> ◆ Fellow, Higher Education Academy ◆ Daughter studying at Swansea University
Professor Mark Smith CBE	<ul style="list-style-type: none"> ◆ Board Member, HESA ◆ Member, EPSRC ◆ Trustee, Jisc ◆ Chair, Universities and Colleges Employers Association ◆ Member, Research Policy, Universities UK
James Davies	<ul style="list-style-type: none"> ◆ Honorary Fellow, University of Wales, Trinity Saint David
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
Dr Peter Higson	<ul style="list-style-type: none"> ◆ Honorary Senior Lecturer in Psychology, Bangor University
Bethan Owen	<ul style="list-style-type: none"> ◆ Daughter studying at Cardiff University

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.

19. 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 2021-22, £274.1m or 91.2% of our income was derived from the Welsh Government (2020-21 - £294.4m or 93.2%). The remaining income, £26.6.m or 8.8%, was derived from income from activities (2020-21: £21.4m or 6.8%).

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 0.04% in the year. The cash balance at the year-end was £1,674k. 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.

20. Events after the reporting period

There have been no events, after the Statement of Financial Position date, up to the date these financial statements were authorised for issue by the Accounting Officer on 22 September 2022, requiring an adjustment to the accounts.