

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2023

Annual report and accounts

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In this document financial year is shown as 2022-23 (April – March) and academic year is shown as AY 2021/22 or AY 2021/22 (August – July)

Performance report

Overview

Accounting Officer's statement on performance

Covid-19 restrictions came to an end just before the reporting period, though the impact of restrictions, followed by a gradual return to routine, continued to have an impact in the same academic year. The HEFCW-funded Reaching Wider Partnerships continued to support people from groups under-represented in higher education (HE), including those who have experienced disrupted learning as a result of the pandemic.

The global pandemic has also been a major disruptor for the economy and has affected future employment opportunities for students in Wales, not least, as employers adjust to new ways of working. Accordingly, we extended our Graduate Support Fund to enable institutions to provide access to work experience and support for individuals who had already graduated during the pandemic to help their transition into employment. We launched a report on how universities used an earlier iteration of this funding to support individuals from lower socio-economic backgrounds and groups under-represented in HE who graduated during the pandemic.

On 8 September 2022, the [Tertiary Education and Research \(Wales\) Bill became an Act](#), and the first law passed by the current Welsh Government. The pace of the work to establish the Commission for Tertiary Education and Research (CTER) increased, as did our engagement with partners around the wider tertiary sector. We operated very much in anticipation of the new arrangements due to be in place from 2024. The work we carried out with the Welsh Government on the vision and purpose of learner involvement and student partnership, for example, anticipates the duty on CTER to prepare a Learner Engagement Code.

We continued to look at how higher education is funded and delivered. We published a case study report on micro-credentials, which are short courses that are assessed, with learners getting credit for completing them successfully. A lot of useful learning came out of the projects, including improving our understanding of issues impacting on the development of micro-credentials. We launched the third and final consultation on the review of our teaching funding methodology, this time focusing on the impact of the proposed changes following the first two phases of the review. We also reported on the changes to our research funding methodology, which took account of the outcomes of the 2021 Research Excellence Framework (REF).

The outcomes of REF 2021, run by the four UK higher education funding bodies, were announced in 2022. We reported in May 2022 that 83% of research at universities in Wales was world-leading or internationally excellent according to the latest REF. Of the £217.1 million that we announced would be allocated to HE for AY 2022/23, £105.6 million was earmarked for research and innovation. £81.7 million of this was allocated for recurrent research funding (quality research, or 'QR' funding), to reward sustainable research excellence and used for the first time the quality and volume of research outcomes of REF 2021, within the framework of an updated research funding method.

We continued to support institutions to comply with their regulatory expectations and deliver for students, as both they and students faced a number of significant challenges, including those created by inflation and the lasting impact of the pandemic. We continued with our ongoing engagement with institutions through both risk and assurance reviews. Some of our institutional visits and our Council meetings were carried out in person for the first time since the start of the pandemic.

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It is important to reiterate our gratitude when it comes to our staff. We are grateful for their ongoing engagement with the forthcoming changes to tertiary education oversight. They are looking at how to lay the foundations for a new organisation and for a tertiary education sector that can flourish, all the while dealing with considerable organisational upheaval and their own workload pressures. We will continue to support them and support them well, during this time of transition.

About HEFCW

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

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

HEFCW is governed by a non-executive Council consisting of a Chair and up to ten other Council Members. In addition, HEFCW's Chief Executive is also a member of the Council. The HEFCW Management Board is responsible for HEFCW's management and operations. At the end of the financial year, HEFCW has a full-time equivalent staff resource of 54 divided into four directorates, each headed by a member of the Management Board.

Key developments in year

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

The Tertiary Education and Research (Wales) Act received Royal Assent in September 2022. We have continued to work with the Welsh Government to inform the development of the secondary legislation needed and guidance to be passed to CTER. In October 2022, the Welsh Government announced 31 March 2024 as the target date for the dissolution of HEFCW and 1 April 2024 for the full operation of CTER.

We have continued to engage closely with the Welsh Government's CTER Project Team to support the establishment of the new organisation. Our Chief Executive has continued to attend the Welsh Government's Programme Board and the Project Strategy and Implementation Board, and HEFCW is represented on all of the CTER project work-streams, with our staff taking a leading or advisory role in each one.

We have established HEFCW's own CTER transition project and associated action log, with the intention that this will be fully aligned with the Welsh Government's overarching CTER implementation plan. As part of this project, we began detailed planning and preparations for the dissolution of HEFCW at the end of March 2024.

Regular, detailed scrutiny of our transition project is undertaken by our Council and the Audit and Risk Assurance Committee (ARAC), and with responsibility for advising on the transition of HEFCW into CTER included in every committee's Terms of Reference.

Funding

In July 2022, we announced our [main teaching, research and innovation funding](#) allocations for AY 2022/23 and also [Higher Education Research Capital](#) funding for 2022-23.

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In September 2022, we announced £10m [capital funding allocations](#) for 2022-23. In the same month, we also called for bids for £7m [strategic investment funding](#) for AY 2022/23.

We received additional funding for 2022-23 through a number of revised remit letters from the Welsh Government:

- Degree apprenticeships £3.2m (June 2022).
- Mentoring support programme £600k (Aug 2022).
- Additional revenue allocation of £2.3m (Dec 2022) to support mental health and well-being.
- Additional funding from the Department of Science, Innovation and Technology to support research and innovation activities in Wales: Flexible Formula Funding of £11,794,300, to mitigate against the delay in association to Horizon Europe funding, plus an uplift of £1,143,000 in Higher Education Research Capital (HERC) funding (March 2023).
- Additional capital funding £1m (March 2023).

Teaching funding review

In AY 2022/23 we continued our review of teaching funding (which commenced in [2021/22](#)). We confirmed the outcomes of stage one in May 2022. Stage two of the review took place in May-June 2022. Stage three of the review took place in November-December 2022. More information can be found in circulars [W22/11HE](#) and [W22/39HE](#). The outcomes of the review were published in April 2023 via circular [W23/10HE](#).

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

Research and innovation funding and policy

The results of REF 2021 were published in May 2022. These showed that universities in Wales continue to deliver [world-class research](#), with 83% assessed as world-leading or internationally excellent. We concluded our consultation on a new [method](#) for allocating HEFCW's unhypothecated research postgraduate research student funding. The new method has been used to allocate QR and post-graduate research (PGR) funding from AY 2022/23. We have continued to work with the other UK funding bodies on the *Future Research Assessment Programme* to develop proposals for the next national research evaluation exercise.

We reviewed and made minor adjustments to our [Research Wales Innovation Fund](#), for introduction in AY 2023/24.

We funded the Learned Society of Wales with a grant of £172k for AY 2022/23 to take forward a number of activities, including work to communicate the research impact of Welsh HE.

Following consultation, we provided the University of Wales Press with a grant of £132k for academic publications in the field of Wales Studies.

We published our first [Research and Innovation: The Vision for Wales Annual Report](#) and we refreshed and relaunched our original vision to take into account not only the developments in the policy context, but also the impact of the UK's departure from the European Union and the Covid-19 pandemic.

We have responded to consultations on the Welsh Government's Innovation Strategy for Wales and Sêr Cymru research funding programme, and submitted evidence to the Senedd Finance Committee's inquiry into post-EU funding arrangements. We also worked with the UK and devolved governments and funding bodies to respond to the Independent Review of Research Bureaucracy.

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We [allocated funds](#) on behalf of the Welsh Government and the Department for Science, Innovation and Technology to mitigate the delay in association to the Horizon Europe research programme. These comprised flexible formula funding of £11.8m and an uplift of £1.1m to Research Capital.

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 2021/22, 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 but enhanced monitoring of one provider was ongoing. HEFCW's overall assessment is that, across the regulated sector, institutions continue to comply with the regulatory requirements imposed by the Higher Education (Wales) Act 2015. There will be areas where HEFCW has engaged with institutions regarding their support of students and the delivery of the 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 report to the Home Office was submitted in March 2023 and covered our assessment and monitoring activity from April 2022 to March 2023.

Institutional Assurance

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

Quality Assurance

We issued an updated [Quality Assessment Framework for Wales](#). This linked to work we commissioned from the Quality Assurance Agency (QAA) on a revised Quality Enhancement Review methodology, which will operate from 2023/24. We engaged with Scotland and Northern Ireland on this, to try to develop an approach that could be adapted across all three nations. We contributed to UK debate around quality oversight arrangements, representing HEFCW on the UK Standing Committee for Quality Assessment. We worked with the other UK funders and regulators on a [Statement regarding quality](#), aiming to set out common approaches across all nations of the UK in this area. We also funded a range of sector activities via the QAA, including support for the Wales Integrity and Assessment Network and collaborative enhancement projects. The aim of this is to ensure a continued sector-wide focus on quality and on sharing practice.

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Student Experience

We ensured that the voice of students continued to be heard via leading Wales' engagement in the National Student Survey, and followed up on performance issues identified. We engaged with Students' Unions and the National Union of Students Wales, with which we operate a Memorandum of Understanding and issued [updated guidance](#) on Student Charters. We monitored admissions and progression data and liaised with institutions where we needed to understand more.

Widening access

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

With additional funding from the Welsh Government, the Reaching Wider Programme has developed and delivered a new programme of mentoring support between university students and learners in schools and colleges in the most deprived areas of Wales, in partnership with Brightside. This has resulted in the creation of a fully bilingual online platform and, as of March 2023, the recruitment and training of over 130 mentors and access to the platform by over 200 young people.

Degree Apprenticeships

We have continued to fund degree apprenticeships on the digital and engineering and advanced manufacturing frameworks delivered by universities and colleges in partnership across Wales. We have contributed to the Welsh Government's [evaluation of degree apprenticeships](#), which found that 96% of degree apprentices would recommend a degree apprenticeship to someone else and 80% of employers considered enrolling additional staff on the programme.

Employability and Skills

We successfully concluded the European Social Fund GO Wales: Achieve through work experience programme, which supported more than 2,500 students over six years. [The programme evaluation](#) found that it had delivered its aim of reducing the risk of students becoming graduates who were not in education, employment or training, through a student-centred bespoke support approach. We have enabled institutions to build on the lessons learned from GO Wales through introducing the [Targeted Employability Support Scheme](#), supported with £1.7m in AY 2022/23.

We extended the [Graduate Support Fund](#) with £1.5m, which enabled institutions to provide access to work experience and employability support for individuals who graduated during the pandemic to help their transition into the current job environment. Case studies of the activity carried out through this scheme were published in [Higher Education for the Nation: Supporting Graduates](#).

We worked with AdvanceHE to carry out the [first national study](#) on how employability is embedded in the curricula of universities, and took forward the findings through a series of symposia, which allowed institutions to share practice.

Equality and Diversity

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

We provided guidance on [safe and inclusive higher education](#), covering specific actions that HEFCW and the Welsh Government expect our universities and regulated colleges to take. We

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have explored how HEFCW can work with universities to promote the actions they take to tackle all forms of violence, abuse and harassment, with further work to be carried out in the coming year.

Well-being and health

We announced funding of £2.2m and guidance to support universities to implement their [well-being and health strategies](#) in AY 2022/23. We continue to promote the use of the UUK Stepchange: mentally healthy universities approach and the UUK Suicide Safer Universities Framework. We continued to fund Student Space in partnership with the Office for Students, to provide additional support and guidance to students, including Welsh language information.

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

We gave [evidence](#) to the Senedd Children, Young People and Education Committee inquiry into mental health support in higher education.

Race: access and success

We published [race equality guidance](#) and details of the allocation of £1m to support this agenda in AY 2022/23. We also consulted on [monitoring race equality in higher education](#). We have continued to work with the Welsh Government to take forward the actions in the Anti-racist Wales Action Plan, including funding AdvanceHE to facilitate a sector-wide race equality network.

Civic mission

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

Welsh language provision

We monitored uptake of Welsh language provision and encouraged institutions to continue to make progress in this area, in partnership with the Coleg Cymraeg Cenedlaethol. We continued to work closely with the Coleg, in line with our Memorandum of Understanding, including on the costs of Welsh medium study and on guidance for recording Welsh language learning and teaching.

Performance in year – overview

Corporate Strategy

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

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

With the Welsh Government's plans for the establishment of the new CTER in mind, our Corporate Strategy states that the delivery of our Corporate Strategy objectives will support the

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Welsh Government's ambitions for an integrated post-compulsory education and training system, including the strategic duties that will frame the focus of CTER.

Our Corporate Strategy sets out six core objectives. These objectives provide the framework for our annual business plans. HEFCW's Council receives twice-yearly progress reports against the business plans - once half-way through the year and once at year-end. For 2022-23, 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.

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

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

Business Plan 2022-23 outcomes

All activities for the year included in our Business Plan 2022-23, including the specific actions from our remit letter 2022-23, were delivered as planned. A number of activities will remain ongoing into 2023-24, including some that will require continued collaboration with the Welsh Government or other external bodies as we move towards the dissolution of HEFCW at the end of 2023-24.

Financial overview

<i>Performance in year</i>	2022-23 £000	2021-22 £000
Funding of higher education expenditure	(244,601)	(298,958)
Council expenditure	(4,189)	(3,784)
Income from activities	27,574	26,559
Interest net of appropriations	2	1
Grant in aid – funding from the Welsh Government	218,346	274,096
Decrease in Taxpayers' Equity	(2,868)	(2,086)

Grant in aid (GIA) funding from the Welsh Government has decreased by £55.8m or 20.3% since last year, whilst 'income from activities' increased by £1m or 3.8%.

Whilst the baseline funding level remained the same between years, during 2021-22 an additional £52.5m was received. This related primarily to maintenance and equipment that supports digital transformation and transition to net zero (£40m), Quality Research uplift (£10.5m) and further investment in the Wales Innovation Network (£2m).

'Income from activities' remained at a similar level this year, but although the UK Research Partnership Investment Fund (UKRPIF) funding during the year reduced by £10.8m due to the main project funding being completed, this was more than offset by an additional £12.9m of funding from the Department of Science, Innovation and Technology (see note 2 to the accounts).

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Funding of higher education expenditure has decreased by £54.4m, 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 47 and 50 for further details.

Expected future developments

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

Our priority in what will be our final year, 2023-24, will be on continuing to address our core statutory responsibilities of funding and regulating the higher education sector in Wales; preparing for an efficient dissolution of HEFCW; and contributing to the smooth transition of HEFCW's functions into CTER. A key priority in all this will be providing support to HEFCW staff through the transition process. We will continue to work closely with the CTER Programme Team in the Welsh Government, including making contributions to the Welsh Government's Programme Board, the Project Strategy and Implementation Board, and various CTER project work-streams. We will also continue to assist with the preparation and testing of various corporate systems due to come on line when CTER becomes fully operational in April 2024.

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

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 was to work with the Welsh Government on the implementation and implications of the Tertiary Education and Research (Wales) Act. This work grew in significance in 2022-23 as attention was focused on the detailed work needed to plan for the establishment of CTER and the dissolution of HEFCW. We established a transition project so that we could plan for an orderly transition of HEFCW staff and functions into CTER. In providing regular reports on the progress of this project to HEFCW Council and to its Audit and Risk Assurance Committee, our intention is always to provide appropriate assurance that, in delivering our plans to transition to the new organisation, we continue to focus on the delivery of HEFCW's Corporate Strategy vision and objectives, including our duties to our staff as an employer and as a public body, to the HE sector.

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Our processes for identifying and managing risks, along with details of the significant risks identified during the year are set out on pages 27 to 29 in our Governance Statement (part of our Accountability Report). Information in respect of community, human rights, anti-fraud and anti-bribery matters is provided as part of the Remuneration and Staff Report on page 41.

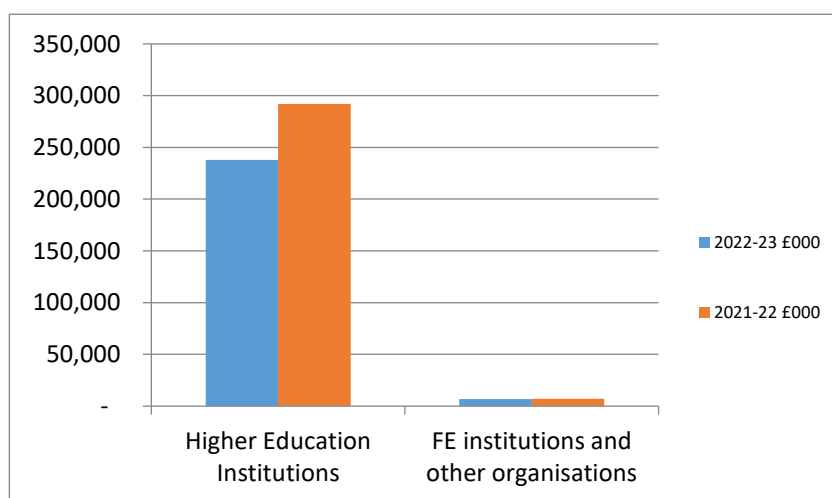
Financial analysis

Baseline funding between 2022-23 and 2021-22 remains at the same level, however, additional in-year QR and capital funding of £52.5m was received in 2021-22. This has resulted in a net reduction of £55.8m, year-on-year.

In addition to GIA funding from the Welsh Government, £27.6m of other income was received in 2022-23 (2021-22: £26.6m). Whilst the income from activities remained at a similar level, the UKRPIF funding during the year reduced by £10.8m due to the main project at Swansea University being completed. This was offset by the receipt of an additional £12.9m of funding from the Department of Science, Innovation and Technology (see note 2 to the accounts).

Total expenditure in 2022-23 was £248.8m (2021-22: £302.7m). Of this, £244.6m (2021-22: £298.9m) relates to the funding of HE (£237.9m to HE institutions and £6.7m to further education institutions and other organisations) (2021-22: £291.9m and £7.0m respectively) and £4.2m (2021-22: £3.8m) to other expenditure on our own costs incurred in delivering our duties in respect of HE in Wales.

Funding of higher education expenditure (£000)



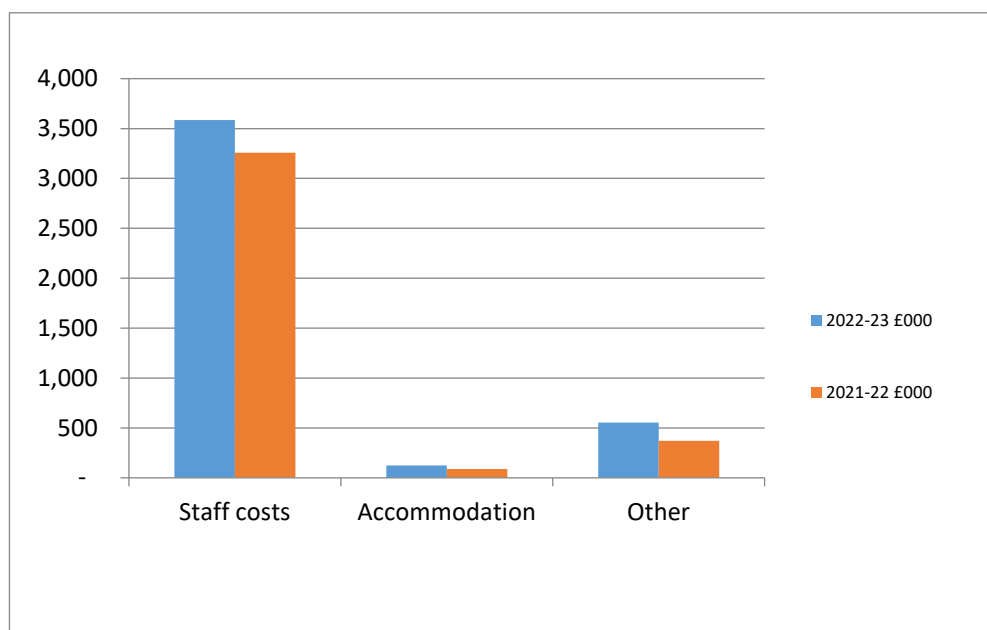
The decrease in 'Funding of Higher Education' expenditure is to be expected in the light of the one-off additional £52.5m of funding received in 2021-22, highlighted above.

The net operating costs for the year were £221.2m (2021-22: £276.2m). As noted in the 'Financial overview' section above, the GIA funding from the Welsh Government amounted to £218.3m (2021-22: £274.1m) and was credited directly to the taxpayers' equity general reserve (see 'Statement of financial position' on page 48 and 'Statement of changes in taxpayers' equity' on page 50). The cumulative taxpayers' equity general fund as at 31 March 2023, after crediting the GIA referred to above, was £1.6m (31 March 2022: £4.4m). The financial accounts will always record a net operating costs' result for the year, as a consequence of the crediting of the Welsh Government funding received to the taxpayers' equity general reserve. Our activities are also planned to ensure that our cash carry-forward at the financial year-end remains within the two per cent of total GIA for the year, as permitted by the Welsh Government.

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There was minor expenditure on property, plant and equipment in the year as noted in note 8 below (2021-22: £Nil).

Other expenditure 2022-23 (£000)



Other financial key performance indicators

The cash balance as at 31 March 2023 was £1.57m which represented 0.72 percent of total GIA funds available (2021-22: £1.67m, 0.61 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 2022-23, we paid 94.3% of invoices within ten working days, with an average payment time of 1.9 days (2021-22: 93.5% and an average of 2.3 days).

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

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

Sustainability

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 2022 to March 2023.

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 2022-23

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 2022-23, including the specific actions from our remit letter 2022-23, were delivered as planned. A number of activities will remain ongoing into 2023-24, including some that will require continued collaboration with the Welsh Government or other external bodies as we move towards the establishment of CTER.

Further information and updates on business plan activities for 2022-23 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 2022-23

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 2022 to March 2023.

In 2022, to meet our Section 6 duty under the Environment (Wales) Act 2016, we published HEFCW's second [Biodiversity and Resilience of Ecosystems Duty Report 2022](#).

In 2022, HEFCW delivered two virtual biodiversity staff training workshops to raise awareness of biodiversity issues and designed to coincide with the UN Biodiversity Conference (COP 15).

In October 2021, we submitted to the Welsh Government (WG) our first Net Zero carbon report for 2019-20, which was our baseline year. The original 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

Our 2022 Public Sector Carbon Emission Organisation Report from the Welsh Government found:

- Our 2021-22 total reportable carbon emissions were 0.09 kt CO2e, a reduction of 0.05kt CO2e from the 2019-20 baseline. (see the table below for comparisons)
- We were ranked 18th out of 19 organisations in the group for supply chain intensity (A rank of 1 is the highest emission intensity); and
- There were no comments on completeness or accuracy and no queries to raise.

Table - Emissions reported in kt CO2e

	2019-20	2021-22
Business Travel	0.01	- *
Commuting	0.04	- *
Homeworking	- *	0.03
Supply Chain	0.09	0.06
Total	0.14	0.09

No returns were required for 2020-21.

* During 2019-20, there was a minimal amount of home working whilst 2021-22 was almost 100% home working as a consequence of Covid-19.

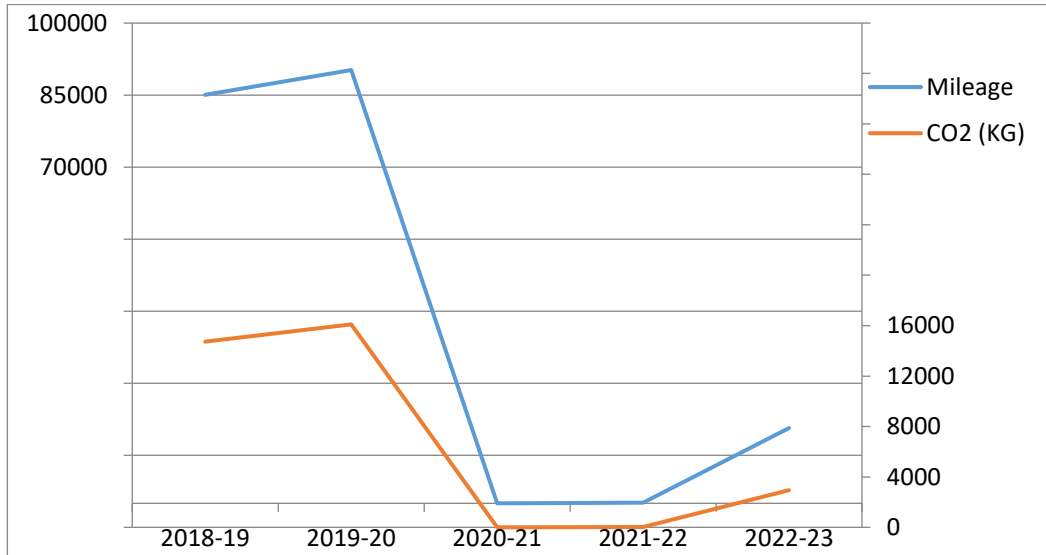
Our next carbon emission report for 2022-23 is due to be submitted to the Welsh Government in September 2023.

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As previously reported in 2021-22, our work to develop a decarbonisation action plan is not considered to be a high priority for HEFCW, given that the plan would be obsolete within 12 months and is not a good use of HEFCW staff resources, given the increasing workload demands in planning for the transition to CTER in April 2024.

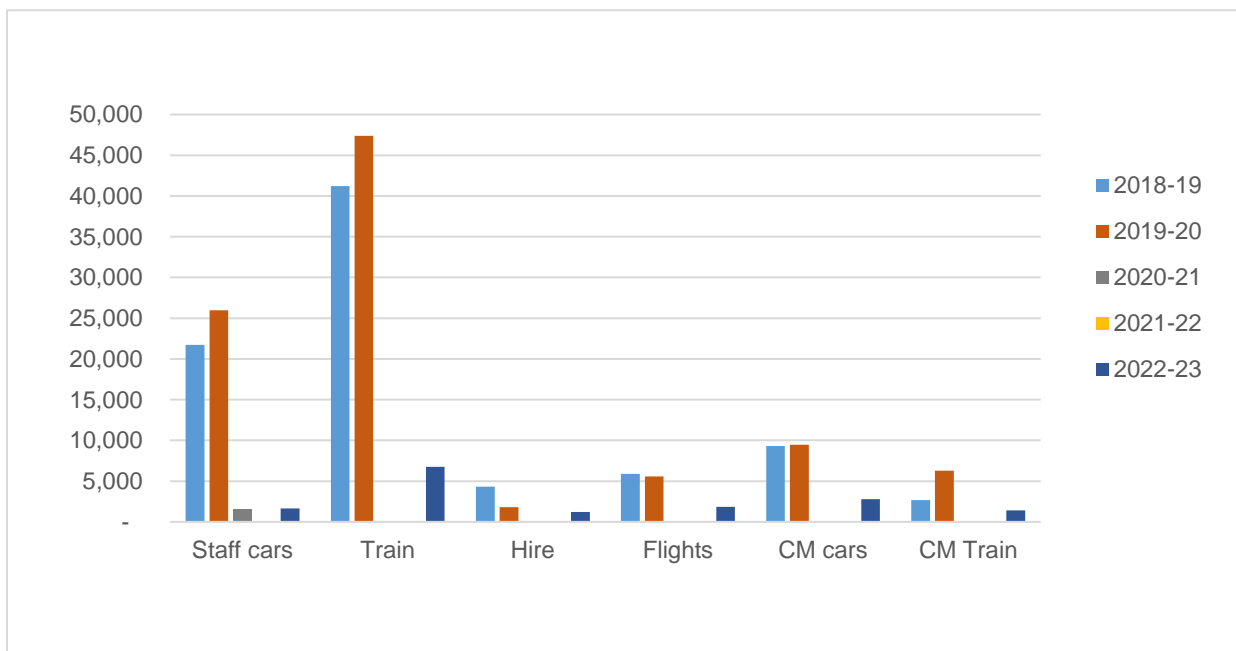
Business Travel

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. Following the need to homework due to Covid-19 restrictions, there has been a return to some in-person meetings during the year.

Business Travel Breakdown (miles)



Business travel summary

During the current year, HEFCW staff have continued to undertake work-related travel again following the prior period of working from home due to the pandemic. Whilst emissions have increased, they remain quite low. Many meetings are now routinely held online and it is anticipated that emissions are unlikely to return to their pre-Covid-19 levels. This saves on staff travel time as well as cost and emissions. As mentioned previously, annual mileage will always vary depending on the impact of changes to both Council members' and staff 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

Following the flood in February 2020 and the effects of the Covid-19 pandemic, whilst the office is now open to HEFCW staff, most prefer to continue to work from home, with very small office attendance levels throughout the year. All data relating to energy consumption and waste at the Bedwas office, is retained by the Welsh Government with no separate data available for HEFCW, as one of its tenants, to report.

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:

- Continue to ensure sustainable development is considered throughout the transition period;
- Report our 2022-23 carbon emissions to the Welsh Government in September 2023;
- Continue to evidence progress and impact throughout the transition period; and
- Continue 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
16 November 2023

Accountability report

Corporate Governance report

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

Directors' report

Council membership

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

Chair

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

Chief Executive (and Accounting Officer)

Dr David Blaney

Other Council members:

Name	Personal history	Term of office	Committee membership
Professor Mark Smith CBE (Deputy Chair)	President and Vice-Chancellor, University of Southampton	01/01/22 to 30/06/23 Reappointed 01/07/23 until HEFCW's dissolution	Research Wales Committee (Chair)
Professor Aaqil Ahmed	Professor of Media, University of Bolton and former Head of Religion and Ethics at BBC and Channel 4	07/04/21 to 06/04/26	Human Resources Committee (Chair) Remuneration Committee (Chair) Student Opportunity and Achievement Committee
James Davies	Chief Executive, Industry Wales	01/12/20 to 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	01/04/22 to 31/03/27	Research Wales Committee Quality Assessment Committee (to February 2023) Regulation Committee Audit and Risk Assurance Committee (from February 2023)
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/21 to 21/04/26	Regulation Committee (Chair) Human Resources Committee Remuneration Committee
Dr John Graystone	Education consultant and former Chief Executive of Colegau Cymru/ Colleges Wales	01/08/21 to 31/07/26	Audit and Risk Assurance Committee (Chair) Quality Assessment Committee Human Resources Committee Remuneration Committee
Professor Helen Marshall	Vice-Chancellor, University of Salford	01/12/20 to 30/11/25	Quality Assessment Committee (Chair) Student Opportunity and Achievement Committee
Charlotte Hitchings	Chair, Avon and Wiltshire Mental Health Partnership Trust	05/05/20 to 04/05/23 Reappointed 05/05/23 until HEFCW's dissolution	Student Opportunity and Achievement Committee (Chair) Regulation Committee
Dr Peter Higson	Former civil servant	05/05/20 to 04/05/23 Dr Higson passed away in January 2023.	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.

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

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

Composition of Management Board

The HEFCW Management Board is responsible for our management and operation. It comprises: the Chief Executive; Deputy Chief Executive; Director of Policy and Funding; Director of Regulation and Analysis; 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
16 November 2023

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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 2022-23, the Council comprised 10 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 2022-23, there were six formal Council meetings, two Council Workshops, and three Council visits to regulated providers. There were a total of 62 out of 64 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, public information, widening access, equality and diversity, student health and well-being, 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 and the receipt of the minutes of each committee meeting. Committees may also raise any matter that they believe should be brought to the attention of the Council with respect to their remit and responsibilities.

In 2020, the Council received the report of an independent expert review it had commissioned of the Council's governance arrangements. The review concluded that the Council was well governed and that Council members showed a high degree of commitment to their governance responsibilities, providing strong and effective oversight and constructive challenge. The review further added that the Council's arrangements were supported by a comprehensive set of high quality governance documents and processes. The Council agreed an action plan for taking forward a number of the report's recommendations, which was fully actioned by the end of 2021-22.

The Audit and Risk Assurance Committee (ARAC) reviews its processes against the requirements and recommendations set out in HM Treasury's *Audit and Risk Assurance Committee Handbook*, and has agreed to use the National Audit Office's *ARAC Effectiveness Checklist* to conduct annual self-assessment governance effectiveness 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 2022, the

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Committee concluded that it was operating in line with accepted best practice for audit committees, and that its membership continued to cover the skills and competencies outlined in the *ARAC Handbook*.

Given its general importance as a potential risk issue for all organisations, the Committee has agreed to receive an annual update from HEFCW and its external auditors, Audit Wales, on cyber security matters. Since 2021-22 the Committee has agreed to receive as a standing agenda item an update on developments relating to the Tertiary Education and Research (Wales) Bill, now Act, 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 the Welsh Government on HEFCW's regulatory functions; the Welsh Language Standards Annual Report 2021-22; and the Strategic Equality Plan Annual Report 2021-22.

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 2022-23 in April 2022. In July 2022, we submitted to the Minister our Business Plan for 2022-23, and we were notified in the same month 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 2021/22.

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 2022-23.

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

The Audit and Risk Assurance Committee's annual opinion for 2022-23 highlighted no major issues or significant weaknesses in our internal controls during the year which warrant disclosure here.

The internal audit plan was revised in 2022-23 to focus audit resource on essential key controls during the period to the anticipated closure of HEFCW at the end of 2023-24. It does not include any assurance on systems or processes developed by HEFCW staff for CTER, but does include

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provision of assurances relating to any agreed protocols, including the servicing of specific assurance requests covering HEFCW's processes to the end of March 2024.

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

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

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

We use information about higher education providers collected via a number of data surveys and information requests, including student data collected by the Higher Education Statistics Agency (HESA) and the Welsh Government on our behalf, and also against a set of [national measures for HE performance](#) that we have developed. We use the data for a variety of purposes, including the calculation of funding allocations and monitoring equal opportunities, and to monitor the performance of the Welsh higher education sector and individual institutions. The data we use are subject to rigorous checking and auditing processes.

We have developed a Knowledge Management System, which contains a wide-range of performance data on each Welsh institution.

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

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 June 2022, and were scrutinised by our Human Resources and Audit and Risk Assurance Committees. The aim of the policy is to encourage staff to report matters of proper concern considered by them to be in the public interest, either at the workplace or externally, about a danger, risk, malpractice or wrongdoing. There have been no whistleblowing matters reported during 2022-23 and so it is not possible to report upon the effectiveness of these procedures.

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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 Corporate Risk Register indicates areas of risk that we need to be aware of, and respond to, in order to perform our role effectively. Monitoring and assessing key risks and current controls allow us to evaluate the effect of these major uncertainties on our corporate strategy and operational plan objectives. Where appropriate, we can make adjustments to our control measures.

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

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

Significant risks in 2022-23

Our most significant risks this year have related to the on-going uncertainties with and demands of the transition arrangements that will see the closure of HEFCW at the end of 2023-24 and the establishment of CTER from April 2024. The Council and the Audit and Risk Assurance Committee have monitored closely these developments and their impact on risks to HEFCW through discussion of a CTER update paper at each of their meetings this year. We remain supportive of the underlying principles of the Tertiary Education and Research (Wales) Act and of the proposed establishment of CTER, however we see a number of risks with the legislation as introduced and also risks to HEFCW from the transition arrangements.

A significant risk arising from the CTER transition arrangements has been the growing impact on workload and staff capacity. This has been due to the increasing work pressures from our engagements with the CTER transition processes, while simultaneously ensuring that we continue to address our statutory responsibilities as a funder and regulator and prepare for an orderly dissolution of HEFCW at the end of 2023-24. We have also recognised the continued risks from a lack of clarity over timelines, a detailed implementation plan for the establishment of CTER and arrangements for the organisational structure and job matching process for CTER. All of these have impacted on HEFCW staff morale, well-being and work-life balance. 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.

A further risk that we have recognised this year has been a lack of clarification of the respective roles and responsibilities of HEFCW, the Welsh Government and CTER (once it has been formally constituted through the appointment of a 'small board'). This risk is combined with the potential impact on HEFCW resources during the establishment period, from around September

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2023 to March 2024, when the three organisations will be operating in parallel. This lack of clarity about roles could result in further uncertainty, inefficiencies and potential contractual employment implications for staff and create confusion for stakeholders.

We have sought to mitigate these CTER-related risks by developing 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 our statutory obligations. We will review and adjust our action plan as necessary, once the Welsh Government has agreed the CTER implementation plan. We have continued supporting our staff in preparing for the transition through regular engagements to share information, issues and concerns. We have been recording and monitoring through the year, staff time spent on CTER activities. We have in place various policies and procedures aimed at helping with staff retention, managing absence and supporting employee relations, and we have also been trying to identify areas where work commitments could be deprioritised, delayed or dropped. We have recruited a number of additional staff this year to improve our capacity in certain areas. We are engaging regularly with our Works Council, and there is PCS union representation on the CTER Programme Board.

We have continued to engage closely with the Welsh Government's PCET Reform Team responsible for the CTER preparations and transition. HEFCW's Chief Executive is a member of the CTER Programme Board and of the Ministerial Strategy and Implementation Board. Other HEFCW staff attend the CTER Implementation Leads Group and various CTER programme project boards and work-streams. We have held early discussions with the CTER Chair and Deputy Chair, appointed by the Welsh Government in December 2022, and will seek early engagement with the CTER Chief Executive, once in post. We have begun to develop a proposed protocol on roles and responsibilities between HEFCW, CTER and the Welsh Government during the establishment period, together with a handover report to brief CTER's Board. We will further develop both documents next year in discussion with the HEFCW Council, the incoming CTER Chief Executive, CTER Board members and the Welsh Government.

Following flooding of our office in Bedwas in mid-February 2020 and then the Covid-19 pandemic restrictions from March 2020, HEFCW staff were required to work remotely in 2020-21 and for the majority of 2021-22. In this reporting year, our office has been open again for use, albeit with on-going restrictions set by HEFCW's landlord, the Welsh Government, on overall capacity. These restrictions were either relaxed, or in some cases fully removed, in the second half of the year. Hybrid working is now established as the norm for the organisation, with staff continuing to work remotely for much of the time. We recognise that we have been fortunate with the resilience shown by HEFCW staff, and with the robustness of our IT systems and support, but we remain alert to the on-going risks of stretched staff resources and of the need to ensure that our IT systems remain operational with the information stored on them, secure.

We have continued to use video conferencing regularly, though a number of meetings have been held in person, this year. Our electronic processes for securely distributing agendas and papers have continued to be used to support Council, committee and internal meetings. 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 largely remote working has increased the risks and challenges associated with staff well-being and health, including mental health and with nurturing close relations between colleagues. We have surveyed our staff for their views on a greater use of our office and how we might encourage more frequent in-person engagements and will continue to explore these issues with staff into next year. From the beginning of the Covid-19 pandemic in 2020, we put in place a number of additional arrangements and support mechanisms for our staff and these continued to be provided throughout the year. We continue to monitor closely the on-going effects on our staff of the

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pressures of this extended period of remote working and to consider how we might adapt our current support arrangements as a response to the removal of pandemic-related restrictions.

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.

In this reporting year, we have continued to review our regulatory processes, to ensure that they provide sufficient assurances while not placing undue burden on the sector, as modes of delivery and ways of working stabilise following the impact of the Covid-19 pandemic. Given the current economic climate, including cost of living and energy price increases, uncertainty over future pension and staffing costs and existing challenges arising from different funding levels between England and Wales, we have continued to liaise closely with the Welsh Government and the National Union of Students Wales, to assess the impact on institutions, students and staff. We have sought assurances on specific issues, such as approaches to hardship funding and student accommodation costs, to mitigate against risks to quality and the student experience. We have provided guidance on institutions' use of additional funding from the Welsh Government to ensure that it is targeted at those most in need.

This additional funding is one of a number of in-year funding support packages we have received from the Welsh Government (further information can be found in the *Key developments in year* section on page 4, and in the *Performance analysis* section from page 10). We have developed robust and fair allocation processes that ensure appropriately targeted distribution of the funding and that is in keeping with Welsh Government criteria, overseen by HEFCW Council. We ensure full transparency about our approach, including consultation and the publication of circulars to confirm our funding decisions. We have robust monitoring arrangements for the funding we have distributed, which is important in a context where the speed and urgency of providing the funding support can create some risk, enabling timely reporting to the Welsh Government.

As we move into 2023-24, which we expect to be our final year as HEFCW, we will continue to work with the Welsh Government to help deliver a smooth transition process to establish CTER from April 2024, while also ensuring that we address all our statutory responsibilities.

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 2022-23.

Dr David Blaney
Chief Executive and Accounting Officer
16 November 2023

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 2021-22, the recommended consolidated pay increase for 2022-23 should be the same as for HEFCW staff (in common with previous pay awards). This increase was subsequently confirmed as a 4% revalorisation award, which uplifted the Chief Executive's salary from £136,014 to £141,455.

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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	2022-23 Salary £'000	2021-22 Salary £'000	2022-23 Pension benefits - increase/ (decrease) £	2021-22 Pension benefits - increase £	2022-23 Total £'000	2021-22 Total £'000
Rob Humphreys (Chair)	20-25	20-25	N/A	N/A	20-25	20-25
Dr David Blaney (Chief Executive)	140-145	135-140	(29,416)	31,155	110-115	165-170
Bethan Owen (Deputy Chief Executive)	100-105	95-100	9,661	36,947	110-115	130-135
Nicholas Williams (Director of Corporate Services)	75-80	70-75	(11,322)	8,487	60-65	80-85
Dr Alyson Thomas (Director of Corporate Planning)	35-40	30-35	19,592	19,998	55-60	50-55
Dr Ewen Brierley (Director of Regulation and Analysis)	75-80	65-70	26,894	37,437	100-105	105-110
Harriet Barnes (Director of Policy and Funding)	70-75	45-50	27,009	18,787	95-100	65-70

NB There were no benefits in kind or bonus payments in either 2022-23 or 2021-22 for the above.

The total salary for Rob Humphreys was £24,264 (2021-22: £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.

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. In some cases above, the net effect has resulted in a decrease in overall pension benefits during 2022-23.

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/23 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/23 £'000	CETV at 31/03/22 £'000	Real increase in CETV £'000
Rob Humphreys	Chair	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	85-90	0 – 2.5	1,729	1,580	(50)
Bethan Owen	Deputy Chief Executive	40-45	0 – 2.5	803	710	(4)
Nicholas Williams	Director of Corporate Services	25-30	0 – 2.5	451	427	(11)
Dr Alyson Thomas	Director of Corporate Planning	15-20 Plus lump sum 45-50	0 – 2.5 Plus lump sum 0 – 2.5	441	379	15
Dr Ewen Brierley	Director of Regulation and Analysis	25-30	0 – 2.5	415	358	15
Harriet Barnes	Director of Policy and Funding	0-5	0 – 2.5	27	11	11

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 switched into Alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to Alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in either PCSPS or in Alpha – as appropriate. Where the official has benefits in both PCSPS and in Alpha, the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (Partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of Classic, Premium, Classic Plus, Nuvos and Alpha. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal and General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash equivalent transfer values

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

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

Real increase in CETV

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

Broadly by analogy (BBA) pensions

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

Fair Pay disclosures*

	2022-23 £'000	2021-22 £'000
Band of highest paid member of staff (total remuneration**)	140-145	135-140
Median total remuneration**	£ 49,903	£ 45,803
Ratio	2.8	3.0
25 th Percentile	34,494	35,091
75 th Percentile	56,014	47,985

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

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

The banded remuneration of the most highly paid senior employee in 2022-23 was £140,000 to £145,000 (2021-22 - £135,000 to £140,000). This was 2.8 times (2021-22: 3.0) the median salary of all staff, which was £49,903 (2021-22: £45,803).

The median ratio has reduced slightly again this year to 2.8. 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 percentile values between 2021-22 to 2022-23 reflect the number of staff at middle job levels and their progress along the pay steps within those levels.

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

In 2022-23, no employees (2021-22: none) received remuneration in excess of the highest-paid senior employee. Remuneration ranged from £22,152 to £141,455 (2021-22: £19,994 to £136,014).

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Staff report

Staff numbers by category

We employed an average of 54 full time equivalent staff during the financial year ended 31 March 2023, as follows:

	2023 Number	2022 Number
Senior Management	6	5
Chief Executive's Office	3	3
Policy and Funding	17	18
Regulation and Analysis	14	13
Corporate Services	14	13
	<u>54</u>	<u>52</u>

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

	2023 Number	2022 Number
Staff with a permanent UK employment contract with us	53	51
Other staff engaged on our objectives	1	1
	<u>54</u>	<u>52</u>

Staff costs

(a) Analysis*

	Staff	2023 Council members (incl. Chief Executive)	Total	Staff	2022 Council members (incl. Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,532	210	2,742	2,305	206	2,511
Social security costs	291	21	312	254	20	274
Other pension costs	698	42	740	640	41	681
Total payroll costs	<u>3,521</u>	<u>273</u>	<u>3,794</u>	<u>3,199</u>	<u>267</u>	<u>3,466</u>
Less:						
Staff on secondment	(52)	-	(52)	(9)	-	(9)
Charges to programme costs	<u>(156)</u>	<u>-</u>	<u>(156)</u>	<u>(198)</u>	<u>-</u>	<u>(198)</u>
Administration payroll costs	3,313	273	3,586	2,992	267	3,259

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Grant-in-aid funding was received from the Welsh Government in 2022-23 to cover staff costs directly relating to the preparation for the transition to CTER. This is included in the funding credited directly to the general reserve.

(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 2022-23, our employer’s contributions of £738,552 were payable in total to the PCSPS and CSOPS (2021-22 - £682,537) 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 2022-23 and amounted to £18,000 at 31 March 2023.

(c) Staff numbers by gender

	2023	2022
<i>Male</i>		
Directors	3	3
Staff	15	15
<i>Female</i>		
Directors	3	3
Staff	36	35
Total	57	56

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

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

(d) **Sickness absence**

	2023	2022
Sickness absence rate (%)	0.6	1.2
Average working days lost	2.12	4.34
Number of working days lost	93	178
Approximate cost of working days lost	£16,578	£30,274

NB The approximate cost of working days lost is based upon the salary at level 4 (step 4), a middle management staff level (including overhead costs). 0.6% of potential working time was lost in 2022-23 due to sickness absences (2021-22 – 1.2%). The annual sickness absence rate for 2022-23 has fallen compared to the previous year. As a small organisation, individual staff absences can have a significant effect on these numbers year on year.

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

Staff policies and other issues

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

Our Coronavirus staff guidance document 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.

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Equality and diversity

We are committed to developing our equality and diversity policies to ensure that all employees are treated fairly, with regard to any protected characteristic as defined by the Equality Act. The “Equality, Diversity and Inclusion Group” has met frequently throughout 2022-23, publishing a new Equality, Diversity and Inclusion policy and reviewing recruitment practices with the aim of improving the diversity of staff within HEFCW.

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 July 2022 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 at 31 March 2023 of 11.53%, is a decline in its gender pay gap statistic and returns closer to a level last seen in 2019, which is disappointing. This shows that women on average continue to earn less than men in HEFCW, however the gap is lower than the national average.

The median gender pay gap has reduced to -0.24%, demonstrating that females continue to earn more at the mid-point than males (as in previous years).

Both changes above are disappointing, demonstrating the influential factor of fluctuations in HEFCW’s small headcount, and that slight changes in proportion of male and female staff and full and part-time staff can influence a significant change across the pay gaps.

Given that our headcount is under 60, 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 the highest proportion continues to be 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. A review of HEFCW’s recruitment changes and positive action initiative was undertaken in July 2022. These were reported to Management Team and HR Committee, where an increase in the number of applicants with protected characteristics was noted. It was recognised that increasing the diversity in HEFCW would take time, and it was agreed that the positive action initiative of retaining HEFCW’s equality statement that actively addresses the need for diversity improvements would continue.

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Witnessing an increase in the number of applicants within some protected characteristic groups identified that the changes made to recruitment processes have started to have an impact. These measures would continue to be applied in to 2023.

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

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.

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

	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Mean gender pay gap	+12.92%	+6.36%	+5.8%	+7.72%	+11.53%
Median gender pay gap	-4.01%	-5.26%	-3.13%	-2.44%	-0.24%

Proportion of males and females in each quartile pay band:

Quartile		31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Lower	(M)	36.36%	41.67%	35.71%	21.43%	21.43%
	(F)	63.64%	58.33%	64.29%	78.57%	78.57%
Lower middle	(M)	27.27%	41.67%	46.15%	42.86%	35.71%
	(F)	72.73%	58.33%	53.85%	57.14%	64.29%
Upper middle	(M)	9.09%	8.33%	15.38%	33.33%	40.00%
	(F)	90.91%	91.67%	84.62%	66.67%	60.00%
Upper	(M)	36.36%	33.33%	30.77%	21.43%	28.57%
	(F)	63.64%	66.67%	69.23%	78.57%	71.43%

Benchmark

Gender pay gap median	15.9%
Gender pay gap mean	13.6%

[ONS](#) data – public sector gender pay gap for all employee jobs, UK, 2022

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

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Community and human rights matters

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

We often host charity events, such as cake-baking sales, or fund-raising events to support good causes, although hybrid working has meant that these activities have taken place less frequently.

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

Health and safety at work

HEFCW has a Health and Safety and Environmental Management (HSEM) Group which operates to advise management on health and safety and environmental issues. It also reports to the HR Committee and to the Works Council. The HSEM Group has continued to focus on providing a safe home and office-working environment. In the last year, staff have been attending the office more frequently than during the pandemic, as social distancing rules have been at first relaxed and later removed, but there is no intention to change our way of working or return to full office-working. Return to the office guidance continued to be updated to ensure employees are fully informed of the safety measures in place and the actions they need to take in preparing for and visiting the office.

HEFCW and the Welsh Government continued to work together to ensure the office is safe. Cleaners were on site to carry out cleaning duties throughout the day and HEFCW also maintained supplies of anti-bacterial gels and wipes for staff to use when visiting the office. Regular risk assessments have been undertaken to support the health and safety of staff, and first aid training has been made available online to HEFCW staff.

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 well-being

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

We introduced a Well-being Hour from the start of 2018-19, which allows staff to take time during the working day to undertake an activity that is of benefit to their health and well-being. This was extended into 2020-21 and was increased to two hours from the beginning of the pandemic in

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response to the implementation of remote working for all staff and was continued at this level throughout 2022-23

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) until its closure in December 2022 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 £nil of consultancy expenditure during the year (2021-22: £26,412).

Off-payroll engagement

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
16 November 2023

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 2023 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992.

The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2023 and of its net expenditure, for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

Opinion on regularity

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

Basis for opinions

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

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

Conclusions relating to going concern

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

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information in the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

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- ensuring that the Annual Report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- assessing body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the body will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- Enquiring of management, the audited entity's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the 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 areas: revenue recognition, expenditure recognition, posting of unusual journals and 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.
- Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Assurance Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;

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- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Adrian Crompton
Auditor General for Wales

1 Capital Quarter
Tyndall Street
Cardiff

Statement of comprehensive net expenditure
for the year ended 31 March 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	205,742		261,189	
Capital expenditure	3	11,000		10,750	
Other purposes	5	27,859		27,019	
		<u>244,601</u>		<u>298,958</u>	
<i>Council expenditure:</i>					
Staff costs		3,586		3,259	
Depreciation	8	35		64	
Amortisation	9	6		7	
Other expenditures	6	562		454	
		<u>4,189</u>		<u>3,784</u>	
Total expenditure			(248,790)		(302,742)
Income					
Income from activities	2		27,574		26,559
Net operating costs			(221,216)		(276,183)
Interest receivable			117		4
Appropriations	7		(115)		(3)
Net operating costs transferred to taxpayers' equity			(221,214)		(276,182)

All activities are continuing.

There are no recognised gains or losses in either 2022-23 or 2021-22.

The notes on pages 51 to 63 form part of these accounts.

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

Statement of financial position

as at 31 March 2023

	Notes	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Non-current assets			
Property, plant and equipment	8	4	33
Intangible assets	9	-	6
Repayable grants falling due after one year	10a	-	1,167
Total non-current assets		4	1,206
Current assets			
Repayable grants falling due within one year	10a	1,167	958
Trade and other receivables	10b	365	1,830
Cash and cash equivalents	11	1,574	1,674
Total current assets		3,106	4,462
Total assets		3,110	5,668
Current liabilities			
Trade and other payables	12	(1,512)	(1,199)
Provisions for liabilities and charges within one year	13	(2)	(2)
Total non-current assets plus net current assets		1,596	4,467
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(16)	(19)
Assets less liabilities		1,580	4,448
Taxpayers' equity			
General reserve		1,580	4,448
		1,580	4,448

The notes on pages 51 to 63 form part of these accounts.

Signed on behalf of HEFCW

Dr David Blaney
Chief Executive and Accounting Officer
16 November 2023

Statement of cash flows

for the year ended 31 March 2023

	Notes	2023	2022
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(221,216)	(276,183)
Depreciation charges		35	64
Amortisation charges		6	7
Decrease in trade and other receivables due within one year		1,256	696
Decrease in repayable grants due after one year		1,167	958
Increase in trade and other payables		313	56
Movement in provisions		(3)	(1)
Net cash outflows from operating activities		(218,442)	(274,403)
Cash flows from returns on investments and servicing of finance			
Interest received		117	4
Interest surrendered to the Welsh Government		(115)	(3)
Net cash flows from returns on investments and servicing of finance	1	2	1
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(6)	-
Purchase of intangible fixed assets	9	-	-
Net cash outflow from investing activities		(6)	-
Cash flows from financing activities			
Funding from the Welsh Government		218,346	274,096
Net cash flows from financing activities		218,346	274,096
Net decrease in cash and cash equivalents		(100)	(306)
Cash and cash equivalents at beginning of period		1,674	1,980
Cash and cash equivalents at end of period	11	1,574	1,674
Net decrease in cash		(100)	(306)

The notes on pages 51 to 63 form part of these accounts.

Statement of changes in taxpayers' equity
for the year ended 31 March 2023

	General Reserve £'000
Balance at 1 April 2022	4,448
Changes in taxpayers' equity 2022-23	
Net operating costs	(221,214)
Total recognised income and expense for 2022-23	<u>(221,214)</u>
Funding from the Welsh Government	218,346
Balance at 31 March 2023	<u>1,580</u>

The notes on pages 51 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.

(f) Pension costs

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

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

(g) Property, plant and equipment

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

Information technology assets costing more than £5,000 and any other fixtures, fittings or equipment costing more than £1,000 are capitalised.

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

Information technology assets	- 3 years
Electrical equipment	- 5 years
Fixtures and fittings	- 5 years

Any office alterations included within fixtures and fittings are amortised over the remaining period of the lease, from the date of purchase.

(h) Intangible fixed assets

Software licences costing more than £5,000 are capitalised.

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

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

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

(i) Value Added Tax

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

(j) International Financial Reporting Standards (IFRS) 16 Leases

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

HEFCW currently has one lease where this standard might apply, however the term of the lease is 12 months from 1 April 2023 and has a value of £63,000. This lease is a sublease of a Welsh Government lease and advice has been sought to ensure that HEFCW's accounting treatment is in line with that of the Welsh Government, as HEFCW accounts will be consolidated into those of the Welsh Government. It has been confirmed that as this lease is new and not an extension of the previous lease, therefore the use of hindsight in determining the lease term does

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not apply, consequently, the lease will be treated as an expense and this accounting treatment is in line with that of the Welsh Government's accounts.

(k) **Financial instruments**

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

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

(l) **Segmental reporting**

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

(m) **Staff costs and secondments**

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

(n) **Going concern**

With Royal Assent received in September 2022 for the Tertiary Education and Research (Wales) Bill to become an Act, it is currently anticipated that HEFCW's activities will cease on 31 March 2024 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 2023-24. This all means that HEFCW's current activities and operations will continue through CTER from April 2024 and accordingly, these financial statements have been prepared on a 'going concern' basis.

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2. Income from activities

	2023 £'000	2022 £'000
European Union – European Social Fund	785	1,061
Department of Science, Innovation and Technology (formerly Department for Business, Innovation & Skills) – Research Capital Investment Fund	19,595	6,960
UK Research Partnership Investment Fund (a)	4,709	17,935
UK Research Partnership Investment Fund (b)	2,450	-
Prevent (c)	35	34
Department of Health and Social Care (d)	-	569
	<u>27,574</u>	<u>26,559</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-19 related delays, this funding was received in full by December 2022.
- (b) This is funding from the UK Research Partnership Investment Fund (UKRPIF) designed to support capital activities which will reduce the carbon emissions of UKRPIF-funded research facilities, making the research processes they support more environmentally sustainable.
- (c) This 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

	2023		2022	
	Recurrent £'000	Capital £'000	Total £'000	Total £'000
Higher Education Providers				
Aberystwyth University	14,080	805	14,885	18,542
Bangor University	15,873	822	16,695	21,724
Cardiff University	74,705	2,639	77,344	96,898
Swansea University	35,416	1,681	37,097	44,616
Wrexham Glyndŵr University	5,370	790	6,160	7,907
Cardiff Metropolitan University	8,605	884	9,489	11,982
University of Wales, Trinity Saint David	8,458	1,063	9,521	13,448
University of South Wales	18,905	1,605	20,510	27,954
Open University	18,749	711	19,460	23,419
Sub-total	200,161	11,000	211,161	266,490
Further Education Providers				
Grŵp Llandrillo Menai	647	-	647	959
Grŵp NPTC Group	174	-	174	282
Gower College Swansea	79	-	79	65
Sub-total	900	-	900	1,306
Other Organisations				
Advance HE	102	-	102	77
Hardisty Jones	40	-	40	13
Quality Assurance Agency	32	-	32	39
UK Research and Innovation	235	-	235	342
JANET (UK) Ltd	2,009	-	2,009	2,132
KPMG LLP	15	-	15	24
The Learned Society of Wales	155	-	155	90
National Union of Students	60	-	60	40
The Office for Students	458	-	458	524
Universities UK	1,074	-	1,074	1,745
London Economics	47	-	47	-
The Welsh Government (a)	1,384	-	1,384	471
Other	175	-	175	201
Sub-total	5,786	-	5,786	5,698
Total	206,847	11,000	217,847	273,494
Less ESF funded expenditure (see note 5)	(1,105)	-	(1,105)	(1,555)
Total	205,742	11,000	216,742	271,939

- (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.
- (b) The decrease in total funding of higher expenditure in 2022-23 is a reflection of additional in-year funding totalling £52.5m received in 2021-22, which was not repeated in 2022-23.

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. A review by us of providers' 2021/22 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. Due to the Covid-19 crisis, HEFCW's Council agreed that no clawback would be applied arising from the monitoring and audit of academic years 2018/19 or 2019/20 student numbers due to the detrimental impact of the pandemic on the financial position and anticipated cash flows of institutions during the immediate subsequent years. However, the end of year clawback was reinstated for academic year 2020/21 student numbers (as used for grant allocations in 2021/22) which resulted in a clawback of £2.468m.

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

5. Expenditure for other purposes

	2023 £'000	2022 £'000
European Social Fund	1,105	1,555
Research Capital Investment Fund (a)	19,595	6,960
UK Research Partnership Investment Fund (b)	4,709	17,935
UK Research Partnership Investment Fund (c)	2,450	-
Department of Health and Social Care (d)	-	569
	<u>27,859</u>	<u>27,019</u>

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

	2023 £'000	2022 £'000
Aberystwyth University	1,652	690
Bangor University	1,804	597
Cardiff University	10,810	3,807
University of South Wales	610	163
Swansea University	4,250	1,703
University of Wales, Trinity Saint David	109	-
Cardiff Metropolitan University	331	-
Wrexham Glyndŵr University	29	-
	<u>19,595</u>	<u>6,960</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-19 related delays, this was paid in full by December 2022.

(c) This is funding from the UK Research Partnership Investment Fund (UKRPIF) is designed to support capital activities which will reduce the carbon emissions of UKRPIF-funded

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research facilities, making the research processes they support more environmentally sustainable.

- (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.

6. Other expenditures

	2023 £'000	2022 £'000
Administration costs		
Accommodation costs	101	71
Office costs	55	37
Bought-in services	60	37
Auditors' remuneration	28	25
Council members' travel and subsistence costs	5	-
Council members' meeting costs	9	-
Staff travel and subsistence costs	6	17
Staff related expenditure on training, recruitment etc.	52	92
Information technology costs	246	175
	<u>562</u>	<u>454</u>

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

Grant-in-aid funding was received from the Welsh Government in 2022-23 to cover legal and IT costs directly relating to the preparation for the transition to CTER. This is included in the funding credited directly to the general reserve.

7. Appropriations

	2023 £'000	2022 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	115	3

8. Property, plant and equipment

	Information technology equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 April 2022	614	59	673
Additions	6	-	6
At 31 March 2023	<u>620</u>	<u>59</u>	<u>679</u>
Depreciation			
At 1 April 2022	581	59	640
Charged during year	35	-	35
At 31 March 2023	<u>616</u>	<u>59</u>	<u>675</u>
Net book value at 31 March 2023	<u>4</u>	<u>-</u>	<u>4</u>
Net book value at 1 April 2022	<u>33</u>	<u>-</u>	<u>33</u>
Asset financing			
Owned assets			
Net book value at 31 March 2023	4	-	4

9. Intangible fixed assets

	Software licences £'000
Cost	
At 1 April 2022	68
Additions	-
Disposals	-
At 31 March 2023	<u>68</u>
Amortisation	
At 1 April 2022	62
Charged for the year	6
Released on disposal	-
At 31 March 2023	<u>68</u>
Net book value at 31 March 2023	-
Net book value at 1 April 2022	<u>6</u>

10a. Repayable grants

	2023 £'000	2022 £'000
Repayable grants		
Balances as at 1 April	2,125	4,617
Repaid during the year	<u>(958)</u>	<u>(2,492)</u>
Balances as at 31 March	<u>1,167</u>	<u>2,125</u>
Balances as at 31 March		
Within one year	1,167	958
After one year	-	1,167
Balances as at 31 March	<u>1,167</u>	<u>2,125</u>

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

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

None of the above grants is interest-bearing.

As at 31 March 2023, there was one provider (2022 – one) with repayable grants outstanding.

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10b. Trade receivables and other current assets

	2023 £'000	2022 £'000
Amounts falling due within one year		
Prepayments and accrued income	363	1,829
Other receivables	2	1
	<u>365</u>	<u>1,830</u>
Intra-government balances		
Other central government bodies	271	1,670
Balances with other government bodies	-	-
Balances with non-government bodies	94	160
	<u>365</u>	<u>1,830</u>

11. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash held under Government Banking Service		
Balance at 1 April	712	1,463
Net change in cash and cash equivalent balances	(251)	(751)
Balance at 31 March	<u>461</u>	<u>712</u>
Cash held under commercial banks and cash in hand		
Balance at 1 April	962	517
Net change in cash and cash equivalent balances	151	445
Balance at 31 March	<u>1,113</u>	<u>962</u>
Total cash and cash equivalents	<u>1,574</u>	<u>1,674</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

	2023 £'000	2022 £'000
Amounts falling due within one year		
Accruals	1,512	1,199
Other taxation and social security	-	-
Sundry creditors	-	-
	<u>1,512</u>	<u>1,199</u>

Intra-government balances		
Central government bodies	944	193
Other central government bodies	-	-
Balances with other government bodies	<u>944</u>	<u>193</u>
Balances with non-government bodies	568	1,006
	<u>1,512</u>	<u>1,199</u>

13. Provisions for liabilities and charges

	2023 £'000	2022 £'000
Broadly by analogy pension liability (see Staff Costs note on pages 34 and 37)	<u>18</u>	<u>21</u>
Analysis of timing of liability		
Falling due within one year (2023-24)	2	2
Falling due between 2024-25 and 2027-28	8	8
Falling due between 2028-29 and 2037-38	8	11
	<u>18</u>	<u>21</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.

	2023 £'000	2022 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	63	63
Later than one year and not later than five years	-	-
	<u>63</u>	<u>63</u>

Expenditure in the year on leasing costs of £63k is included in note 6. The new office lease commences on 1 April 2023 and expires in March 2024.

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15. Capital commitments

	2023	2022
	£'000	£'000
Contracted capital commitments at 31 March 2023, not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	-	-

16. Other financial commitments and contingent liabilities

	2023	2022
	£'000	£'000
Revenue grants (a)	57,873	54,557
European projects (b)	-	2,000
	<u>57,873</u>	<u>56,557</u>

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

(b) European projects were funded as follows:

	2023	2022
	£'000	£'000
European Social Fund grants	-	1,368
HEFCW	-	632
	<u>-</u>	<u>2,000</u>

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

In 2022, the European projects also had financial commitments of £244k that were to 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 2023, there were no contingent liabilities (2022 – nil).

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17. Related parties

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

The following Council members 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"> ◆ Elected fellow, Learned Society of Wales ◆ Ongoing input and assistance to Global Wales project managed by Universities Wales ◆ Chair of sector group for adult & community learning, and member of main Advisory Group, Taith International Learning Exchange Programme
Dr David Blaney (Chief Executive)	<ul style="list-style-type: none"> ◆ Fellow, Higher Education Academy
Professor Mark Smith CBE	<ul style="list-style-type: none"> ◆ Member, EPSRC ◆ Member, 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 ◆ Member, Economic Ministerial Advisory Board, Welsh Government
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.

18. Financial instruments

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

Liquidity risks – In 2022-23, £218.3m or 88.8% of our income was derived from the Welsh Government (2021-22 - £274.1m or 91.2%). The remaining income, £27.6m or 11.2%, was derived from income from activities (2021-22: £26.6m or 8.8%).

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 2.0% in the year. The cash balance at the

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year-end was £1,574k. HEFCW does not consider that its general activities are exposed to significant interest rate risks.

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

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

19. **Events after the reporting period**

There have been no events, after the Statement of Financial Position date, up to the date these financial statements were authorised for issue by the Accounting Officer on 16 November 2023, requiring an adjustment to the accounts.