

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

hefcw

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2021

Annual report and accounts

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In this document financial year is shown as 2020-21 (April – March) and academic year is shown as AY19/20 or AY20/21 (August – July)

Performance report

Overview

Accounting Officer's statement on performance

If last year's report was about highlighting the disruptions brought on by major disruptions caused by Storm Dennis and the Covid-19 pandemic, this year's must be about how we continued to work effectively as an organisation for the wellbeing of our own staff, and for the benefit of students of higher education and citizens in Wales.

This ranged from the strategic to the practical. It was about pausing some of our 'business as usual' programmes in order to expedite new sources of funding and ease the pressures on providers, which were manifold.

We streamlined elements of our assurance and regulatory processes, such as our fee and access planning, and postponed certain other requirements. Our light touch approach has still enabled us to be kept informed of specific pressures and ongoing activity, and to be provided with sufficient levels of assurance.

With higher education institutions particularly vulnerable to financial fluctuations this year, we made the case for government support to ensure teaching and research was not unnecessarily disrupted. Our Looking Forward Group, over which the Chair of our own Council presided, advised on actions the sector needed to take to address the challenges posed by the pandemic. This led directly to an additional £27 million to support higher education institutions to maintain vital capacity and aid economic recovery, and contributed to more than £100 million in support packages and additional funding.

We received further validation of our effectiveness, this time from an independent review of our Council's governance arrangements, which concluded that it is well-governed and that members show a high degree of commitment to their governance responsibilities, providing strong and effective oversight and constructive challenge. We continued to support the concept of a single intermediary body with responsibility for post-compulsory education and training, which is being developed by the Welsh Government. We made sure that we fed into all relevant government consultations and discussions to the best of our abilities, underlining that the effectiveness of the new organisation and its processes is paramount.

There were twelve high-level Performance Outcomes included in our Corporate Strategy 2017-21. We successfully delivered 11 of these target outcomes, with one deferred to 2021-22 due to Covid-19 pressures.

The tasks in our Business Plan 2020-21 included priorities identified by the Welsh Government in its annual remit letter to us. Excellent progress was made, with 131 of the total 133 activities in the Business Plan actioned, including all of the specific actions in the remit letter 2020-21.

Internally, we have ensured that we prioritise staff health and well-being during the year, keeping a particularly keen eye on mitigating any issues that arise around isolation or excess workload. On a practical level, we are maintaining an on-going log of lessons learned for as long as the crisis continues, and we have established an internal Ways of Working group to help our planning for an eventual return to our office.

Finally, we will publish this annual report on our new website. The new www.hefcw.ac.uk was conceived, developed and launched during the first lockdown in 2020, and our goal

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was to develop a go-to resource for information about higher education in Wales, and help regulated providers to work with us and understand what is required of them. We believe we have created a dynamic and useful digital resource that reflects how HEFCW operates as a contemporary, professional, and accessible regulator and funder.

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

HEFCW is governed by a non-executive Council consisting of a Chair and up to ten other Council Members. In addition, HEFCW's Chief Executive is also a member of the Council. The HEFCW Management Board is responsible for HEFCW's management and operations. At the end of the financial year, HEFCW has a full-time equivalent staff resource of 48 divided into four teams, each headed by a member of the Management Board.

Our strategic themes were set out in the HEFCW Corporate Strategy 2017 to 2020, which due to the Covid-19 pandemic, and with the agreement of the Welsh Government, was extended to cover 2020-21.

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

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

Key developments in year

Flooding of HEFCW's office and the Covid-19 pandemic

Following flooding in February 2020, our office became unsafe to occupy and remains so as at the end of this reporting year. The Covid-19 pandemic resulted in a nation-wide lockdown from 23 March 2020, and in response to Welsh Government advice all HEFCW staff have been working remotely for the whole of this reporting year. However, our key ICT systems and support have remained functional throughout the year, and through adapted ways of working, such as meetings by video conferencing, we have successfully maintained business continuity and all of our core operations.

The Covid-19 pandemic has also significantly affected the higher education (HE) sector in Wales. From the outset, we began liaising closely with the Welsh Government, HE providers in Wales and the National Union of Students (NUS) Wales to assess the immediate and likely future impact of the pandemic on institutions, staff and students. We also immediately began regular contact with other higher education oversight bodies

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around the UK in order to share information and assess the potential consequences of the pandemic with respect to various UK-wide HE processes, including distance learning and assessments; HE admissions; quality assurance arrangements; and the impact on research activities. This partnership working has continued throughout the year.

Early on in the year we published guidance on the [steps we were taking to streamline our regulatory processes](#), and on the [actions we were taking with regards to quality, standards and the student experience](#), in response to the Covid-19 pandemic. We have had additional engagements through the year with institutions to ensure that quality was being appropriately managed in the context of the pandemic. Details of other Covid-19 specific guidance and information we have issued this year is set out in the *Performance analysis* section below on page 9.

In addition to our own guidance and information, we have assisted the Welsh Government as required with the development of its own published [higher education coronavirus guidance](#).

Funding

In response to the various challenges resulting from the Covid-19 pandemic, in this financial year the Welsh Government provided HEFCW with a number of additional in-year funding support packages. These comprised a £27m Higher Education Investment and Recovery Fund; £10m to support well-being and health, and student hardship; £40m to provide further support for student hardship; and £44m additional capital funding. We allocated and paid all these additional funds to the HE sector during the 2020-21 financial year, and we are monitoring the way in which these funds have been spent by the institutions.

We provided a one-off Innovation Capacity Development Fund of £7.5m in April 2020, to provide urgently needed pump-priming support for innovation and engagement activity. We also introduced this year our Research Wales Innovation Fund, a new recurrent fund in support of innovation and engagement activity at Welsh universities from 2020/21. The funding of £7.5m was allocated in August 2020.

Regulation and oversight

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 academic year 2019/20, reflected that we had amended our regulatory process to support regulated institutions during the Covid-19 pandemic. The report confirmed that, during the reporting year, no regulated institution had failed to comply with the regulatory requirements associated with a Fee and Access Plan. The report also confirmed that there were no failures to comply with the regulatory system as it relates to quality.

Whilst there were no instances of informal intervention in respect of any of HEFCW's regulatory responsibilities under the Higher Education (Wales) Act 2015, HEFCW officers continued to monitor the action plan issued to one institution following informal intervention undertaken in 2018/19, to ensure that the issues which led to the informal intervention were being appropriately addressed.

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

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period, the Council has pursued them rigorously with the institutions concerned leading to their satisfactory resolution.

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 our plans for on-going monitoring. Our latest report to the Home Office was submitted in March 2021 and covered our assessment and monitoring activity from October 2019 to March 2021.

We have consulted on potential changes to our institutional assurance processes. Where appropriate, changes to processes will be made in due course.

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

In June 2020, we asked regulated institutions for information on a range of areas relating to the quality of delivery of provision throughout the remainder of the 2019/20 academic year which included teaching arrangements, no detriment policies and support for students without adequate IT equipment or other support for online learning. We repeated this exercise in September 2020 to seek information on the new academic year, and the delivery of provision in light of Covid-19 restrictions. The outcomes of these exercises were considered by our Quality Assessment Committee and have informed our work with regulated institutions in 2020-21.

We agreed via consultation the inclusion in annual returns from institutions of an [additional governing body assurance statement](#) relating to quality, covering oversight by the governing body of degree outcomes and academic integrity. The statement will be implemented for the return for 2020/21, due in December 2021. This also required us to update the [Quality Assessment Framework for Wales](#) to reflect the change.

Other key developments and activities this year:

- Publication of [Higher Education in a Changing World: Adapting in a Time of Crisis](#), a report on how universities and students' unions responded to the obstacles posed by the lockdown in the UK's nations in March 2020.
- The publication of [Blended learning: a synthesis of change](#), a study published by Jisc, based on contributions from universities in Wales, in light of the Covid-19 pandemic
- Publication of our new [Strategic Equality Plan 2020-2024](#).

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- Publication of the case study document [Higher Education for the Nation: Embedding Skills and Employability](#).
- Publication of the latest progress report on our [National Measures for Higher Education](#), which monitor the performance of higher education providers in Wales.
- Responded to the [Welsh Government consultation on the draft Tertiary Education and Research \(Wales\) Bill](#).
- Continued to deliver a HEFCW-funded programme of training to each institution's governing body, which includes a focus on good governance.
- Preparatory work for our planned review of Teaching Funding, and published the outcomes of our [review of part-time HE provision in Wales](#).
- Commenced our planned review of Research Funding.
- Preparations for some focussed work on Civic Mission and on Race: access and success through the establishment of two Council-led task groups.
- Continued positive progress of Global Wales II.

The significant risks identified during the year are set out in our Governance Statement (part of our Accountability Report) on pages 28 to 31. Information in respect of community, human rights, anti-fraud and anti-bribery matters is provided as part of the Remuneration and Staff Report on pages 42 and 43.

Performance in year – overview

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

The Welsh Government receives business plan progress reports as they are presented to Council through the receipt of Council papers that they request. We also provide the Welsh Government with a separate annual report on progress against the specific tasks included in our remit letter.

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

Corporate Strategy

Although we had developed a new three-year Corporate Strategy at the start of financial year 2020-21, our Council recognised that the context in which it had been written had changed due to the Covid-19 pandemic. It was agreed with the Welsh Government to extend our previous Corporate Strategy to the end of the 2020-21. In March 2021 we submitted a new Corporate Strategy to the Welsh Government which we will begin to take forward from financial year 2021-22.

Business Plan 2020-21 outcomes

Of the 133 activities identified in our Business Plan 2020-21:

- 131 were completed.
- 2 were deferred to 2021-22 due to Covid-19 pressures.

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Financial overview

<i>Performance in year</i>	2020-21 £000	2019-20 £000
Funding of higher education expenditure	(310,030)	(179,641)
Council expenditure	(3,590)	(3,217)
Income from activities	21,444	10,527
Interest net of appropriations	2	1
Grant in aid – funding from the Welsh Government	294,452	168,187
Increase/(decrease) in Taxpayers' Equity	2,278	(4,143)

Grant in aid funding from the Welsh Government has increased by 75.1% since last year, alongside an increase in 'income from activities'.

The anticipated budgeted grant in aid was initially reduced by £16.5m due to Covid-19. However, HEFCW subsequently received £125.5m of additional revenue funding to help the sector mitigate the effects of the pandemic through the Higher Education Investment and Recovery Fund, support for student mental health services and hardship funding and capital funding to support recovery through the Welsh Government's Economic Action Plan.

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

Funding of higher education expenditure has increased by £130.4m. This increase is accounted for by the additional grant in aid received. 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 49 and 52 for further details.

Expected future developments

At the time of drafting this report, there remain a number of uncertainties with respect to the on-going and longer-term impact of the Covid-19 pandemic that began in Spring 2020. We will continue to work with the HE sector in Wales, and with other stakeholders, to monitor the impact that the pandemic has had to date, as well as its implications for planning a roadmap to recovery and towards potentially new ways of working in the future. We also will contribute, as required, to the Welsh Government’s *Renew and reform: supporting learners’ wellbeing and progression* post-Covid recovery plan for education in Wales. More specifically, we will be assessing the effects of the various Covid-support-related funding streams that we received from the Welsh Government and allocated in 2020-21, in terms of how the additional support has helped students and HE institutions to deal with the pandemic.

With respect to HEFCW itself, we will be planning and preparing for the eventual return to our office in 2021-22, and as part of this process reflecting on how we might need to adapt and change our future ways of working.

The Welsh Government has published its five-year *Programme for Government* and also its planned legislative programme for the current Senedd Term, which confirm its commitment to establish a new Commission for Tertiary Education and Research that will replace HEFCW, with a planned commencement date of April 2023. We will respond to the Programme for Government and build the new priorities for higher education into our corporate planning, where we can play a role. We will also work with the Welsh Government to ensure a smooth transition into the Commission, should the Senedd pass the legislation.

There are a number of UK-wide developments, particularly in England, which, if they come to fruition, will have implications for Welsh higher education. We will continue to monitor these developments closely and discuss their import, in terms of both risks and opportunities for higher education in Wales, with the Welsh sector and the Welsh Government.

Finally, there remain a number of uncertainties for higher education relating to the medium to long-term impact of the UK having left the European Union. We will continue to monitor events and developments closely as they continue to unfold.

Performance analysis

Corporate strategy objectives – summary

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

<p>Widening Access and Inclusion:</p> <p>We continued to fund the collaborative widening access Reaching Wider Programme to increase awareness of, and participation in, HE for people of all ages with the potential to benefit from it. Three regional partnerships and all HE institutions provide widening access opportunities, prioritising people in selected areas, people with a care-experienced and caring background, and adults without level 4 qualifications.</p> <p>We funded collaborative student well-being and health projects from a total fund of £2.3 million.</p>
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We published our [Strategic Equality Plan 2020-24](#) and our latest [Equality Annual Report](#).

We supported universities with £2.7 million to implement their well-being and health strategies.

We provided updated [guidance](#) on tackling violence against women, domestic abuse and sexual violence in higher education.

We co-funded the Student Space programme, the bilingual platform designed to provide students with additional online support for mental health and well-being during the Covid-19 pandemic.

We supported, through Advance HE, a *Race: access and success* leadership programme on race equality and diversity in HE.

We issued [guidance](#) to support providers to address issues of equality and diversity in the context of the Covid-19 pandemic.

Student Experience:

We published [W20/32HE: Covid-19: additional financial support for higher education](#), which provided information on how HEFCW would allocate additional funding of £10m from the Welsh Government, focused on the particular challenges faced by students during the current Covid-19 pandemic.

We confirmed our approach to monitoring data and institutional behaviour regarding the recruitment of full-time undergraduate students, subsequent to consultation.

We provided information on consumer protection, student expectations and quality, and an update on actions that HEFCW was taking with regards to quality, standards and the student experience in response to the Covid-19 pandemic.

We continued to work closely with the National Union of Students Wales under our Memorandum of Institution. We have also liaised with the students' union of each higher education institution to ensure that we are aware of the impact of the pandemic on students, and that their reasonable needs in terms of quality of provision continue to be met.

Skills, Employability and Enterprise:

HEFCW-funded institutions were invited to submit proposals for funding of [Degree Apprenticeships 2020/21](#) against one or more of the pathways identified on the Digital Degree Apprenticeship (Wales), and the Engineering and Advanced Manufacturing Apprenticeship (Wales) frameworks. We committed to take forward bids to fund 420 new apprenticeships in 2020/21.

The European Social Fund (ESF) funded [GO Wales: Achieve through Work Experience programme](#) continued, with virtual and blended work experience introduced to enable students in groups under-represented in HE to continue to develop their employability skills during the pandemic.

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We allocated £1.5m through a [Graduate Support Fund](#) to institutions to enable them to support individuals who graduated during the pandemic to help their transition into a disrupted labour market. The Graduate Support Fund is focused on unemployed graduates or those in low-skilled roles who are from socially disadvantaged areas, those with protected characteristics, and graduates from groups under-represented in HE.

Research Innovation and Engagement:

We allocated a new innovation and engagement fund, including assessing and publishing the accompanying institutional strategies for innovation, engagement and civic mission.

With the other UK HE funding bodies, we supported the ongoing operation of the 2021 Research Excellence Framework (REF).

We started our review of HEFCW's funding for research, to be implemented following the results of the 2021 REF.

HEFCW became a signatory to the new [Concordat to Support the Career Development of Researchers](#) for which there is an action plan to be reported against next year.

We continued to provide project support for civic mission in local communities and HE-FE partnership initiatives as well as continuing to fund our one-off "Strengthening the Research Base", an additional £6.6 million research funding to support higher education research, based on the recommendations of the Reid Review of Government Funded Research and Innovation in Wales.

Funding higher education:

We announced our [funding allocations for academic year 2020/21](#).

We allocated additional in-year funding from the Welsh Government to support the various challenges faced by the HE sector in Wales as a result of the Covid-19 pandemic:

- A £27m [Higher Education Investment and Recovery Fund](#) to support universities to maintain vital capacity and aid economic recovery in the context of the impact of the pandemic
- £10m to support [well-being and health and student hardship](#), and other services, at universities in Wales.
- £1.5m for a [Graduate Support Fund](#), to support individuals in groups under-represented in HE who graduated during the pandemic to help their transition into a disrupted labour market.
- £40m [further financial support for student hardship](#)
- £44m [Additional capital funding](#)
- £3m additional funding for the Research Wales Innovation Fund

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

We published two reports on part-time HE provision in Wales, as part of our ongoing review of teaching funding.

Working in partnership with students:

We published a report on [Student Partnership in Welsh Higher Education and Further Education Institutions](#). We continue to embed partnership within our regulatory approach, and to work in partnership with the National Union of Students Wales to achieve this.

Regulating higher education:

We commissioned a review of regulated institutions' Fee and Access Plan evaluation frameworks to support institutions to evaluate the effectiveness of their Plans.

We published details of [changes to external quality assurance review requirements in 2020/21 in response to the Covid-19 pandemic](#).

We published the outcomes of our consultation on an additional governing body assurance statement regarding quality; we updated the [Quality Assessment Framework for Wales](#) as a result.

Evidence-based advice and partnership working:

We issued guidance and information about our approach to [monitoring data and institutional behaviour regarding admissions for academic year 2020/21](#). We also published information relating to [unconditional offers in 2020/21 and 2021/22](#).

We published information for HE providers on [equality, diversity and inclusion, in relation to staff and students](#), when planning for 2020/21 and beyond, in view of the evolving context of Covid-19.

We consolidated our new institutional engagement process.

We worked with Global Wales partners and administered funds to enable the continued successful delivery of the Global Wales II programme.

Working effectively as an organisation:

We developed our communications protocol for sharing information effectively between the Welsh Government, Universities Wales, higher education providers and HEFCW.

We developed and adopted a range of policies and support to help staff work remotely effectively and safely during the Covid-19 pandemic.

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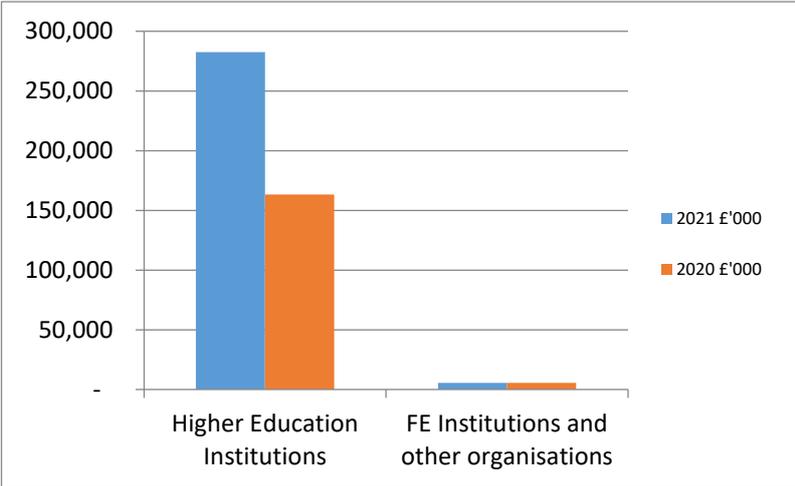
Financial analysis

In delivering the strategic aims and objectives as set out above and to respond to the Covid-19 pandemic, we received £294.5m of grant in aid funding from the Welsh Government (2019-20: £168.2m). This is an increase in overall funding of £126.3m, £125.5m of which is specifically Covid-19 related.

In addition to grant in aid funding from the Welsh Government, £21.4m of other income was receivable in 2020-21 (2019-20: £10.5m). This increase of £10.9m is primarily due to the commencement of UK Research Partnership Investment Fund (UKRPIF) funding in the year for a project at Swansea University (see note 2 to the accounts).

Total expenditure in 2020-21 was £313.6m (2019-20: £182.9m). Of this, £310.0m (2019-20: £179.6m) relates to the funding of the higher education (£304.3m to higher education institutions and £5.7m to further education institutions and other organisations; 2019-20: £174.4m and £5.2m respectively) and £3.6m (2019-20: £3.2m) to our own costs incurred in delivering our duties in respect of higher education in Wales.

Funding of higher education expenditure (£'000)

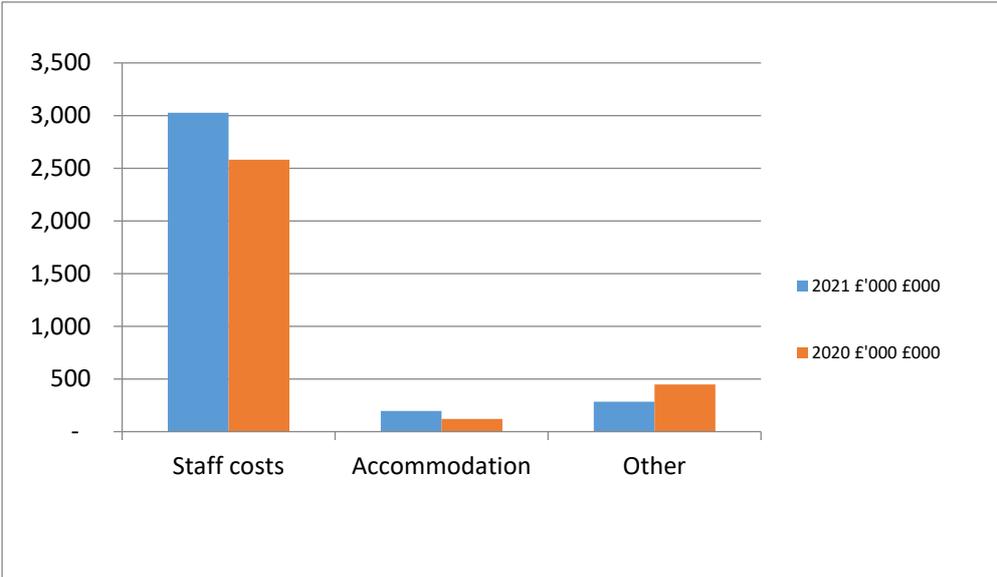


The increase in 'Funding of Higher Education' expenditure is attributable to additional funding received to support higher education institutions in relation to the Covid-19 pandemic. Details are shown in the Funding higher education section of the Corporate Strategy Objectives – summary shown on page 11.

The net operating costs for the year were £292.2m (2019-20: £172.3m). As noted in the 'Financial overview' section above, the grant in aid funding from the Welsh Government amounted to £294.5m (2019-20: £168.2m) and was credited directly to the taxpayers' equity general reserve (see 'Statement of financial position' on page 50 and 'Statement of changes in taxpayers' equity' on page 52). The cumulative taxpayers' equity general fund as at 31 March 2021, after crediting the grant in aid funding referred to above, was £6.5m (31 March 2020: £4.3m). The financial accounts will always record a net operating costs' result for the year, as a consequence of the crediting of Welsh Government funding received to the taxpayers' equity general reserve. Our activities are also planned to ensure that our cash carry-forward at the financial year-end remains within the two per cent of total grant in aid for the year allowed by the Welsh Government.

Expenditure on property, plant and equipment amounted to £101k in the year (2019-20: £87k).

Other expenditure 2020-21 (£'000)



Other financial key performance indicators

The cash balance as at 31 March 2021 was £1.98m which represented 0.67 percent of total grant in aid funds available (2019-20: £98k, 0.06 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 2020-21, we paid 92.2% of invoices within ten working days, with an average payment time of 2.45 days (2019-20: 94.9% and an average of 2.0 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 five ways of working, S6 Biodiversity duty, and the Equality Act 2010. It also seeks to adopt UK, Welsh public sector and HE procurement best practice. HEFCW purchases sustainably, using e-procurement tools to undertake its procurement. In the financial year 2019-20 (the latest data available), HEFCW procurement efficiencies were £22,000, which equates to a percentage saving of 5%. These efficiencies were made predominantly from the use of collaborative and framework agreements. Efficiencies are being driven as much as possible from the 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 2020 to March 2021.

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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

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

Table 1 HEFCW’s well-being objectives

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

In May 2020 the [Future Generations Commissioner](#) and the [Auditor General](#) published reports describing how public bodies across Wales have been applying the Well-being of Future Generations Act and what they need to do to improve.

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The Future Generations Commissioner sets out a number of recommendations¹ public bodies should take account of when setting objectives, considering their steps, testing and demonstrating they are applying the Act, supporting cultural change and measuring their progress.

The Auditor General's report states "public bodies can demonstrate that they are applying the sustainable development principle, but it is also clear that they must improve how they apply each of the five ways of working if they are going to affect genuine cultural change – the very essence of the Act". In the next five-year reporting period, public bodies across Wales will need to work together in taking a more system-wide approach to improving well-being if they are to take their work to the next level. In the next five years, the Auditor General identifies four defining challenges² public bodies must demonstrate that they are addressing when setting their well-being objectives.

In response to the recommendations and challenges detailed in the reports and to further embed the sustainability into our organisational functions, over the past twelve months we have developed a new Corporate Strategy. We have taken an integrated approach, with the new corporate objectives also acting as our well-being objectives. The Corporate Strategy was submitted to the Welsh Government at the end of March 2021 and will be published once ministerial approval has been received.

HEFCW's progress towards its well-being objectives 2020-21

HEFCW's progress against its Well-being objectives and Well-being Statement 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.

HEFCW's Environmental Performance 2020-21

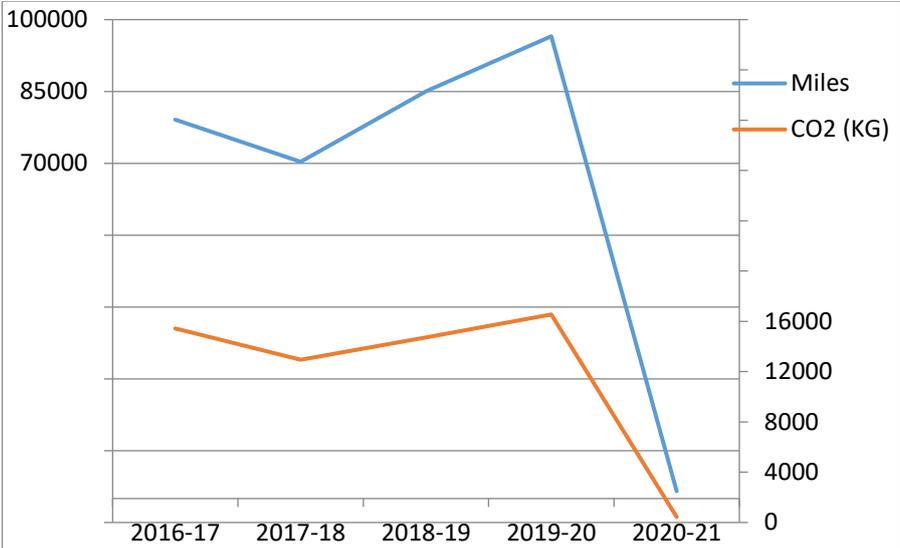
This section of the annual report and accounts provides an overview of HEFCW's progress towards meeting our statutory responsibilities in relation to the [Environment \(Wales\) Act 2016](#) and covers the financial year April 2020 to March 2021.

¹ All the recommendations can be found on p 94-98 of the report.

² These challenges are impact of Covid-19, climate change and biodiversity loss, tackling inequality, and the UK's departure from the European Union (p48).

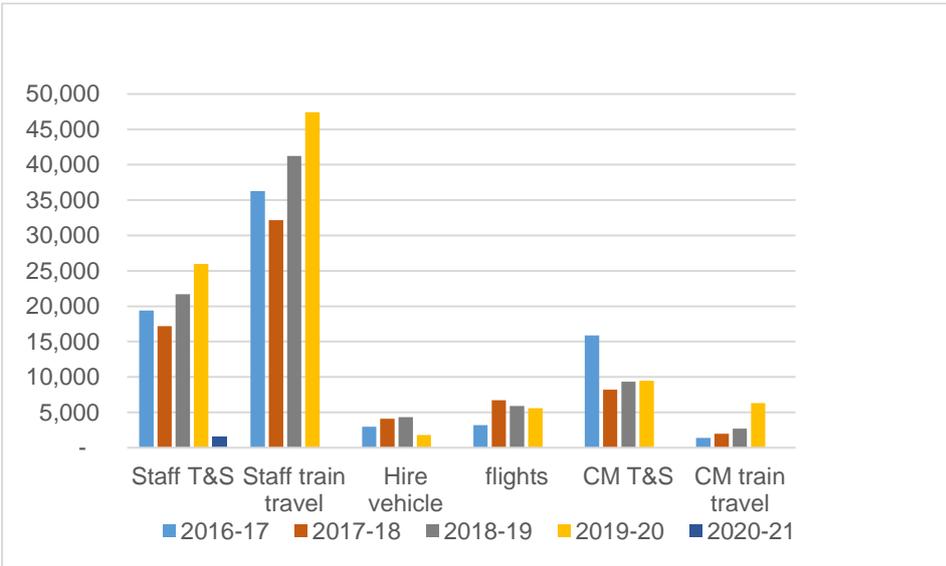
Business Travel

HEFCW Business Mileage and CO2



Annual mileage and methods of transport will always vary depending on changes to Council members’ business travel and the general business need, though train travel remains the most frequent method of travel. Due to Covid-19 related working from home rules being in operation for the whole year, there was minimal business travel undertaken in 2020-21.

Business Travel Breakdown (miles)



Business travel summary

The current year saw virtually no carbon emissions for the year due to the requirement to work from home because of the pandemic. Prior to this, 2019-20 had seen a 6% increase in carbon emissions arising from business travel (829KG), mirroring the overall increase of business travel (9,935 miles). As mentioned previously, annual mileage will always vary depending on the impact of changes to Council members’ business travel and the general

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business need. We continue to encourage staff to avoid business travel where possible and to use the train where viable, particularly for longer journeys.

Waste Minimisation

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

Assessment of our current position and future direction

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

We recognise that responding fully to the challenges identified by the Well-being of Future Generations Commissioner and Auditor General reports and will build on our current work, including by:

- Undertaking horizon scanning exercises to plan and resource for the future,
- Collaborating with and involving people to find the problems they need to prevent,
- Further develop corporate centre and processes in line with the Well-Being of Future Generations Act,
- Continuing to involve staff in meeting our well-being objectives,
- Continuing to align corporate planning, performance management and reporting with the requirements of the Well-being of Future Generations Act.
- Further developing our approach to meet the requirements of the Environment (Wales) Act;
- Continuing to evidence progress and impact; and
- Continuing to take steers from our committees, research reports and the Well-being of Future Generations Commissioner's office.



Dr David Blaney
Chief Executive and Accounting Officer
23 September 2021

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, Interim Chair (*Term of office: 5 January 2021 to 4 January 2022*). *Former Director of the Open University in Wales*

David Allen OBE, Chair (*Term of office: 5 May 2014 to 4 January 2021*). *Former Registrar and Deputy Chief Executive of the University of Exeter*

Chief Executive (and Accounting Officer)

Dr David Blaney

Other Council members:

Name	Personal history	Term of office	Committee membership
Professor Mark Smith CBE (Deputy Chair)	President and Vice-Chancellor, University of Southampton	01/01/19 to 31/12/21	Research Wales Committee (Chair)
Professor Aaqil Ahmed	Professor of Media, University of Bolton and former Head of Religion and Ethics at BBC and Channel 4	07/04/18 to 06/04/21 (reappointed 07/04/21 to 06/04/26)	Human Resources Committee (Chair) Remuneration Committee (Chair) Student Opportunity and Achievement Committee (from Feb 2021)

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Name	Personal history	Term of office	Committee membership
Professor Tracy Bhamra	Pro Vice Chancellor, University of Loughborough	01/04/19 to 31/03/22	Audit and Risk Assurance Committee (to Feb 2021) Research Wales Committee Quality Assessment Committee (from Feb 2021)
James Davies	Executive Chair of Industry Wales	01/12/17 to 30/11/20 (reappointed 01/12/20 to 30/11/25)	Research Wales Committee Student Opportunity and Achievement Committee
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/18 to 21/04/21 (reappointed 22/04/21 to 21/04/26)	Regulation Committee (Chair) Human Resources Committee (from May 2020) Remuneration Committee (from May 2020)
Dr John Graystone	Education consultant and former Chief Executive of Colegau Cymru/ Colleges Wales	01/08/18 to 31/07/21	Audit and Risk Assurance Committee (Chair) Quality Assessment Committee Human Resources Committee Remuneration Committee

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Name	Personal history	Term of office	Committee membership
Rob Humphreys CBE, FLSW	Former Director, The Open University in Wales	15/06/18 to 14/06/21 (Member term of office, suspended following appointment as Interim Chair of HEFCW Jan 2021)	Student Opportunity and Achievement Committee (Chair) (to Feb 2021) Quality Assessment Committee (to Feb 2021) Regulation Committee Remuneration Committee (from Feb 2021)
Professor Helen Marshall	Vice-Chancellor, the University of Salford	01/12/17 to 30/11/20 (reappointed 01/12/20 to 30/11/25)	Quality Assessment Committee (Chair) Student Opportunity and Achievement Committee (from Feb 2021)
Charlotte Hitchings	Chair, Avon and Wiltshire Mental Health Partnership NHS Trust	05/05/20 to 04/05/23	Student Opportunity and Achievement Committee (Chair from Feb 2021)
Dr Peter Higson	Former civil servant	05/05/20 to 04/05/23	Research Wales Committee Audit and Risk Assurance Committee (from Feb 2021)

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

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

Composition of Management Board

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

Declarations of interests

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

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
23 September 2021

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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 2020-21 the Council comprised 11 members. Following a Welsh Government recruitment exercise during the year, two new member appointments were announced in May 2020, and an Interim Chair of Council was appointed from January 2021.

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 2020-21, there were six formal Council meetings; one Council Workshop; and two Council visits to regulated providers. There were a total of 64 out of 70 possible [member attendances](#). In addition, throughout the year the Council has met informally between its main meetings in order to be apprised of rapidly changing scenarios and potential risks in the light of the Covid-19 pandemic.

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.

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Regulation Committee

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

Student Opportunity and Achievement Committee

Advises the Council on all matters relating to student opportunity and achievement in higher education, including Welsh Medium, widening access, equality and diversity, and skills and employability, with the aim of ensuring that Welsh higher education meets the needs and expectations of learners and other stakeholders.

Research Wales Committee

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

Human Resources Committee

Considers and approves all HEFCW employment related matters.

Remuneration Committee

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

Nominations Committee

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

Governance processes and effectiveness

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

The Council is required to demonstrate high standards of corporate governance at all times, and in carrying out their duties Council members must adhere to the Seven Principles of Public Life (Nolan Principles). Council decisions are made on the basis of collective responsibility, and the conclusions reached at its meetings are informed by empirical evidence and following detailed discussion, debate and challenge by Council members. Council resolutions are formally recorded in the minutes, and action taken on matters delegated to the executive are reported back via a standing Matters Arising paper. The Council approves annually a forward plan of key business items, and endorses annually forward plans put forward by each of its committees. The Council receives feedback on the work of its Committees through updates from committee chairs at each Council meeting; the receipt of all committee minutes; and the receipt of an annual report from each committee.

In 2020, the Council received the report of an independent expert review it had commissioned of the Council's governance arrangements. The review concluded that the Council was well governed and that Council members showed a high degree of commitment to their governance responsibilities, providing strong and effective oversight and constructive challenge. The review further added that the Council's arrangements were supported by a comprehensive set of high quality governance documents and processes.

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The Council agreed an action plan for taking forward a number of the recommendations included in the report, and the majority of these had been actioned by the end of 2020-21, with just a small number of recommendations left to be taken forward next financial year.

The Audit and Risk Assurance Committee (ARAC) conducts a comprehensive self-assessment effectiveness review exercise every three years against the requirements and recommendations set out in HM Treasury's *Audit and Risk Assurance Committee Handbook*, utilising the NAO's *ARAC Effectiveness Checklist* to assist its reviews. Annually, the Committee conducts an overview of its effectiveness which includes 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 2020, the Committee was satisfied that, overall, it was operating in line with accepted best practice for audit committees. The Committee has agreed that, given its general importance as a potential risk issue for all organisations, it would receive an annual update from HEFCW and its external auditors, Audit Wales, on cyber security matters, the first of which it received at its meeting in March 2021. The Committee was content with the current profile of members' skills and experience, though it has agreed to reflect further on the skills mix required by the Committee to inform future succession planning.

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

Meeting our statutory responsibilities

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

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. In addition, this year the Council has been developing a new Corporate Strategy, which aims to present what we do and what we are trying to achieve in the context of our legislative obligations and also how we support the well-being of future generations as set out under the [Act](#). Our progress towards meeting our Well-being

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objectives has been embedded within this report, also see the sustainability section of this report on page 14.

The Council approved this year HEFCW's Welsh Language Standards Annual Report 2019-20; Equality Annual Report 2019-20; and Strategic Equality Delivery Plan 2020-2022.

Reporting to the Welsh Government

We have regular communication with the Welsh Government's Department for Education and Skills under the terms of the Framework Document. Staff from the Department and HEFCW meet formally about six times a year.

We received our remit letter for 2020-21 in August 2020. In September 2020, we submitted to the Minister our Business Plan for 2020-21, and were notified in October 2020 that the Minister had noted the Plan. Our Council receives bi-annual reports on progress against our business plan targets.

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

The Higher Education (Wales) Act 2015 requires that we report annually to the Welsh Government on how we have exercised our functions under the Act. Our latest Annual Regulatory Report covered academic year 2019/20.

Dealing with complaints

We have a Complaints Policy based on the model Concern and Complaints Policy produced by the Public Services Ombudsman for Wales. No complaints against us were received during 2020-21.

Partnership working

We work with a range of partner bodies within Wales and the UK to achieve our objectives and meet Welsh Government priorities, and in many cases we have established memoranda of understanding with these partner organisations.

Effectiveness of the internal control system

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

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

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The Audit and Risk Assurance Committee's annual opinion for 2020-21 highlighted no major issues or significant weaknesses in our internal controls during the year 2020-21 which warrant disclosure here.

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

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

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

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

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

The Audit and Risk Assurance Committee has agreed that HEFCW should develop an assurance framework, which will enable the Committee to identify and monitor more effectively all key sources of assurance and significant issues. A database has been developed to support the framework and the documentation of the organisational processes and sources of assurance is ongoing during 2020-21.

Tax assurance for off-payroll employees

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

Whistleblowing arrangements

Our whistleblowing policy and supporting procedures were last revised in 2017-18 and scrutinised by our Human Resources and Audit and Risk Assurance Committees. The aim of the policy is to encourage staff to report matters of proper concern considered by them to be in the public interest, either at the workplace or externally, about a danger, risk, malpractice or wrongdoing. There have been no whistleblowing matters reported during 2020-21 and so it is not possible to report upon the effectiveness of these procedures. Our policy and procedures are next due for formal review in 2021-22, unless there are any matters reported before then which prompt changes to be made to improve the processes used.

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Risk management 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 three times a year and by the Council at least once 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 that these are areas of risk, of which we need to be aware and respond to, in order to perform our role effectively. Monitoring and assessing key risks and current controls allow us to evaluate the effect of these major uncertainties on our corporate strategy and operational plan objectives. Where appropriate, we can make adjustments to our control measures.

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

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

In 2020, we commissioned an independent risk management consultant to review our risk management processes and procedures. In response to the recommendations from that review, we will be revising our approach to identifying and recording risks in 2021-22.

Significant risks in 2020-21

Our most significant risks this year have related to the fallout from two external environmental events: the flooding of the HEFCW office in February 2020, and the Covid-19 pandemic from March 2020. The impacts of both risks continue to be felt at the time of drafting this report.

The Council and the Audit and Risk Assurance Committee have each monitored closely the development and impact of, and the responses to these risks throughout the year. The Committee held a special meeting in May 2020 to consider specific risks and challenges to the sector and to HEFCW arising from the pandemic, and has since received an update at each of its meetings this year. The HEFCW Council agreed to receive as a standing agenda this year a report on the on-going impacts arising from the pandemic.

Internal matters: HEFCW organisational risks

Following flooding in mid-February 2020, HEFCW's office became unsafe to occupy, and remains so at the time of completing this report. In addition, due to the Covid-19 pandemic and Welsh Government advice, HEFCW staff have been required to work remotely for the whole of this reporting year.

We responded to the initial risks arising from the flooding by implementing our Business Continuity Plan, immediately informing all staff and stakeholders of the situation; arranging for key IT equipment and information to be retrieved from the office; and establishing

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arrangements for staff to work remotely. As all members of HEFCW staff already had a dedicated tablet with a fully encrypted, secure VPN connection, work was able to continue remotely with full access to HEFCW's ICT systems and services, with phone systems redirected to staff homes and with uninterrupted use of email. Remote working arrangements continued throughout the year following the pandemic lockdown.

With the use of video conferencing, and through existing electronic processes for securely distributing agendas and papers, we have been able to continue to hold Council, committee and internal meetings throughout the year. To further bolster governance arrangements, 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.

Recognising that our employees are our greatest asset, and in view of the potential for increased risks and challenges with respect to staff well-being and health, including mental health, we put in place from the beginning of the crises a number of additional arrangements and support mechanisms for our staff. We continue to monitor closely the on-going effects on our staff of the pressures of this extended period of remote working, and to consider how we might adapt and increase our current support arrangements.

Halfway through the year, we provided a 'moment in time' debriefing report on the effectiveness of our business continuity arrangements to our Audit and Risk Assurance Committee. The Committee was assured that there had been a positive response to the handling of both incidents, which had greatly mitigated the risks of potential major disruptions to HEFCW's business processes. The resilience shown by HEFCW staff, and the continued functionality of, and support provided by our IT systems have ensured that HEFCW operations have been able to continue relatively smoothly throughout the year. We recognise that we had been fortunate that there had been no significant impact on HEFCW staff from the flooding in February 2020, or this year from Covid-19; however, we remain alert to the on-going risks of stretched staff resources, and of the need to ensure that our IT systems remain operational and the information stored on them secure.

We are maintaining an on-going log of lessons learned for as long as the crisis continues, and we have established an internal Ways of Working group to help our planning for an eventual return to our office.

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

We continue to recognise as a risk not being able to encourage the Welsh Government to engage effectively with, and use, HEFCW in relation to the implementation of its PCET proposals, which potentially could have negative consequences for legislative and operational arrangements. We sought to mitigate this risk chiefly through our dialogue with the relevant Welsh Government officials, to ensure they are fully informed of key issues when implementing changes, and through our representation on a number of the PCET workstreams. The HEFCW Chair/Interim Chair and Chief Executive discuss PCET

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development matters in their quarterly meetings with the Minister. In addition, we are maintaining and strengthening our relationships with other stakeholders who will be affected by the PCET reforms. We responded in December 2020 to the Welsh Government's consultation on the draft Tertiary Education and Research Bill. We will also respond to the draft Bill itself as and when it is laid in the Senedd, and provide evidence to Welsh Government committees as required.

External matters: 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.

Immediately after the pandemic was declared in March 2020, we were provided with assurances by HE providers in Wales that they had responded swiftly to the outbreak in terms of prioritising the health and safety of students and staff, and also in adapting ways of working and modes of delivery to ensure that critical activities, such as programmes of study and end of year student assessments, could continue to completion.

Recognising that the sector needed to be able to focus its attention on its own risks and impacts arising from pandemic, one of the first actions we took was to identify ways of streamlining selected elements of our assurance and regulatory processes - such as amending our Fee and Access Planning process, and postponing certain other requirements - in order to give HE providers space to deal with the current crisis. We were aware that this approach potentially created an additional risk that our processes might not be as objective or robust as usual. However our light touch approach with providers throughout the year has still enabled us to be kept informed of specific pressures and ongoing activity, and to be provided with sufficient levels of assurance, whilst also allowing institutions the time and space to focus on operational responsiveness and effective governance.

As a result of the Covid-19 outbreak, HE institutions became vulnerable to decreases in income and increases in expenditure. HEFCW's primary role around these risks was negotiating with the Welsh Government to make the case for support for higher education. We did this in close liaison with institutions, to monitor their individual financial situations. We also established a Looking Forward Group, chaired by the Chair of HEFCW, to act as a steering group to advise on actions the sector needed to take to address the challenges posed by the pandemic. The Looking Forward Group submitted into a Welsh Government bidding process for additional financial support, which saw the provision to HEFCW of a £27m Higher Education Investment and Recovery Fund to support institutions to maintain vital capacity and aid economic recovery in the context of the impact of the pandemic. In addition to this Fund, we subsequently received from the Welsh Government a number of further in-year funding support packages to assist the HE sector in addressing the pandemic challenges, further details on which can be found in the *Key developments in year* section on page 4, and in the *Performance analysis* section on page 9.

The key risks to HEFCW with respect to managing these various in-year funding support packages have been around developing robust and fair allocation processes that ensure appropriately targeted distribution of the funding, in keeping with Welsh Government criteria, along with robust monitoring arrangements, in a context where the speed and urgency of providing the funding support has been at the fore. We have mitigated these risks through:

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- Regular engagements with the Welsh Government; the sector and individual institutions; and other key stakeholders (for example, NUS Wales with respect to funding support to address student hardship)
- Establishment of clear and robust funding criteria, and monitoring arrangements for the use and impact of the funding allocated.
- Full transparency about our approach (our bidding processes and outcomes published via HEFCW circulars)
- Strong assurance and oversight arrangements put in place by the Council, with support from the Audit and Risk Assurance Committee.
- Regular reporting to the Welsh Government on our processes and, in due course, on the impact of the funding.

We have recognised as a risk to our regulatory and oversight responsibilities, that of a potential failure by HEFCW to identify when an institution was threatened financially, as a consequence of the pandemic, or to recognise when an institution had an unsatisfactory standard of governance and poor oversight of decision-making. We have been mitigating these risks through our existing HEFCW engagement processes, albeit adapted to a lighter touch approach, in keeping with our desire to reduce the regulatory burden, and through more frequent informal engagements with the institutions we regulate.

With respect to our regulatory responsibilities for quality, we are aware that the on-going nature of the pandemic, with extended disruption to students' studies, has created risks around institutions failing to meet student expectations regarding standards and quality. To mitigate these risks, we have been closely engaging with institutions about how they are addressing quality, and we have published guidance to help ensure institutions are able to maintain a focus on quality and standards and manage student expectations. We consulted on and published a number of changes to external quality assurance review requirements in 2021/22 in response to the pandemic. We have also been liaising closely with NUS Wales to ensure we are kept fully informed about student concerns, and we have maintained close links with the other UK funders/regulators.

We will continue as we move into 2021-22 to work closely with the HE sector and the Welsh Government to monitor the on-going risks and impacts of the pandemic, as well to identify ways in which the Welsh HE sector can assist in Wales's recovery from it.

Conclusion

As Accounting Officer of HEFCW, I am accountable to the Permanent Secretary of the Welsh Government as its Principal Accounting Officer for the discharge of my responsibility to maintain sound systems of governance, risk management and internal control. I have reviewed the evidence provided with regard to the production of the annual governance statement. The conclusion of my review is that our overall governance and internal control structures have been appropriate for our business, and have worked satisfactorily throughout 2020-21.



Dr David Blaney
Chief Executive and Accounting Officer
23 September 2021

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, the deputy chief executive and the directors. The committee, consisting of five members, three of which are Council members (including the Chair), has delegated authority from the Council to consider matters affecting the pay of the Chief Executive and can make recommendations for the approval of the Welsh Government.

The Committee met during the year and reviewed the Chief Executive's performance and agreed that, based upon his performance in 2019-20, the recommended consolidated pay increase for 2020-21 should be the same as for HEFCW staff (in common with previous pay awards). This increase was subsequently confirmed as a 2.5% revalorisation award from 1 June 2020, which uplifted the Chief Executive's salary from £130,095 to £133,347.

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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	2020-21 Salary £'000	2019-20 Salary £'000	2020-21 Pension benefits £	2019-20 Pension benefits £	2020-21 Total £'000	2019-20 Total £'000
David Allen (Chair)	15-20	20-25	N/A	N/A	15-20	20-25
Rob Humphreys (Interim Chair)	05-10	-	N/A	N/A	05-10	-
Dr David Blaney (Chief Executive)	130-135	130-135	68,017	47,429	200-205	175-180
Bethan Owen (Deputy Chief Executive)	90-95	90-95	48,526	50,810	140-145	140-145
Nicholas Williams (Director of Corporate Services)	70-75	65-70	24,483	22,073	95-100	90-95
Dr Alyson Thomas (Director of Policy and Funding)	65-70	60-65	45,951	34,492	110-115	90-95
Dr Ewen Brierley (Director of Regulation and Analysis)	65-70	60-65	40,195	35,749	105-110	95-100

NB There were no benefits in kind or bonus payments in either 2020-21 or in 2019-20 for the above.

David Allen's tenure as Chair expired on 4 January 2021. The total salary disclosed for the year to 4 January 2021 was £18,384 (2019-20: £24,264).

Rob Humphreys was appointed interim Chair from 5 January 2021. The total salary disclosed from 5 January to 31 March 2021 was £5,817 (2019-20: £nil).

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

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

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The pension benefits' figure of £48,526 for Bethan Owen included approximately £12,000, which resulted from additional pension contributions made by the Deputy Chief Executive during the year.

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/21 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/21 £'000	CETV at 31/03/20 £'000	Real increase in CETV £'000
David Allen	Chair (to 4 January 2021)	N/A	N/A	N/A	N/A	N/A
Rob Humphreys	Interim Chair (from 5 January 2021)	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	75-80 pension	2.5 – 5 pension	1,478	1,378	49
Bethan Owen	Deputy Chief Executive	35-40 pension	2.5 - 5 pension	637	568	34
Nicholas Williams	Director of Corporate Services	20-25 pension	0 – 2.5 pension	413	394	23
Dr Alyson Thomas	Director of Policy and Funding	15-20 pension plus 40-45 lump sum	0 – 2.5 pension plus 2.5 - 5 lump sum	343	293	37
Dr Ewen Brierley	Director of Regulation and Analysis	15-20 pension	0 – 2.5 pension	314	273	28

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Salary and pension disclosures*

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

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

The Chair, Interim Chair and Council members (excluding the Chief Executive) are not members of the Principal Civil Service Pension Scheme and do not receive any pension benefits paid for by us. Council members (excluding the Chair, Interim Chair and Chief Executive) receive non-pensionable remuneration of £5,076 per annum (see pages 19-21 for a full list of other Council Members).

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

Pensions

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

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

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

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benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash equivalent transfer values

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

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

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Real increase in CETV

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

Broadly by analogy (BBA) pensions

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

Fair Pay disclosures*

	2020-21 £'000	2019-20 £'000
Band of highest paid member of staff (total remuneration**)	130-135	130-135
Median total remuneration**	£ 42,768	£ 39,639
Ratio	3.1	3.3

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

The banded remuneration of our most highly paid senior employee in 2020-21 was £130,000 to £135,000 (2019-20 - £130,000 to £135,000). This was 3.1 times (2019-20: 3.3) the median salary of all staff, which was £42,768 (2019-20: £39,639).

**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.

The median ratio has reduced slightly again this year to 3.1. During the year, all staff, including the Chief Executive had a pay award. Some staff were also due annual increments but not the most highly paid senior employee. HEFCW also recruited new staff during the year whose salaries were closer to or above the median rather than below it. Due to the nature of our work, we have a high proportion of staff at middle job levels resulting in the median shown above.

In 2020-21, no employees (2019-20: none) received remuneration in excess of the highest-paid senior employee. Remuneration ranged from £19,602 to £133,347 (2019-20: £19,124 to £130,095).

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Staff report

Staff numbers by category

We employed an average of 48 full time equivalent staff during the financial year ended 31 March 2021, as follows:

	2021 Number	2020 Number
Senior Management	5	5
Chief Executive's Office	4	4
Policy and Funding	15	13
Regulation and Analysis	12	11
Corporate Services	12	11
	<u>48</u>	<u>44</u>

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

	2021 Numbers	2020 Numbers
Staff with a permanent UK employment contract with us	47	42
Other staff engaged on our objectives	1	2
	<u>48</u>	<u>44</u>

Staff costs

(a) Analysis*

	Staff	2021 Council members (incl. Chief Executive)	Total	Staff	2020 Council members (incl. Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	2,120	210	2,330	1,822	199	2,021
Social security costs	230	21	251	197	20	217
Other pension costs	585	42	627	494	39	533
Total payroll costs	<u>2,935</u>	<u>273</u>	<u>3,208</u>	<u>2,513</u>	<u>258</u>	<u>2,771</u>
Staff on secondment	(28)	-	(28)	(26)	-	(26)
Less: charges to programme costs	<u>(153)</u>	<u>-</u>	<u>(153)</u>	<u>(163)</u>	<u>-</u>	<u>(163)</u>
Administration payroll costs	2,754	273	3,027	2,324	258	2,582

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(b) Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha”, are unfunded multi-employer defined benefit schemes, but HEFCW is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

For 2020-21, our employer’s contributions of £614,517 were payable to the PCSPS (2019-20 £529,472), 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 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by us. There is no fund and therefore no surplus or deficit or assets. The scheme liabilities for service are calculated by the Government Actuary’s Department every two years and was performed at the end of 2020-21 and amounted to £22,000 at 31 March 2021.

(c) Staff numbers by gender

	2021	2020
<i>Male</i>		
Directors	3	3
Staff	10	10
<i>Female</i>		
Directors	2	2
Staff	36	31
Total	51	46

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

(d) Sickness absence

	2021	2020
Sickness absence rate (%)	0.66	1.16
Average working days lost	2.64	2.00
Number of working days lost	90	142
Approximate cost of working days lost	£14,583	£23,086

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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).

0.66% of potential working time was lost in 2020-21 as a result of sickness absences (2019-20 – 1.16%) which represents an ongoing decrease from previous years. These sickness absence figures exclude any Covid-related statistics, in order to make the comparison of figures meaningful. Previously HEFCW rates have been below average for the public sector. In the CIPD report on *Health and Wellbeing at Work* (March 2020), it was noted that a sickness absence rate of 2.6% (5.8 days per employee) for the UK as a whole. The report also notes that the average number of days lost within the public sector was 8.0 days per employee, which is significantly higher than HEFCW's 2019-20 figure of 2.0 days. A 2021 update of these numbers by the CIPD is not available due to the different ways in which organisations have reported Covid-19 related absences for 2020-21.

Staff policies and other issues

The focus of this year has been supporting staff through the pandemic. The Coronavirus staff guidance has been frequently 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. The annual leave procedures and the special leave procedures have also been amended during this year.

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 have been adapted to take place fortnightly to compensate for remote working, and to keep staff informed during a turbulent 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 is based upon the Civil Service People Survey and actions arising from this survey, together with other evaluations such as feedback from staff events, are included in our organisational action plan, which is accessible to all staff on our intranet. The next staff attitude survey is due to be held early in 2021-22, having been delayed slightly due to the pandemic lockdown and the closure of the office.

Equality and diversity

We are committed to developing our equality and diversity policies to ensure that all employees are treated fairly, irrespective of any protected characteristic as defined by the Equality Act. This has been under review during 2020-21, and a new working group, the

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“Equality, Diversity and Inclusion Group” has been formed, with a revised Equality, Diversity and Inclusion policy to be published in 2021-22.

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

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

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

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

Gender pay gap

HEFCW’s 2021 mean gender pay gap of 5.8% (as set out in the table below) is a small improvement on the 2020 figure. However this remains disappointing overall from previous reporting years (2017 and 2018). This shows that women on average continue to earn less than men in HEFCW, and whilst it remains lower than the national average, the gap has lessened in HEFCW since 2019. It should be noted that due to our small headcount, any small changes in proportion of male and female staff and full and part time staff can lead to a significant change in the mean pay gap.

The median gender pay gap of -3.13% continues to demonstrate how HEFCW employs more women than men and how, at the mid-point, females are earning more. However, it remains a marked change from earlier years of -38.1% in 2018 and -23.4% in 2017.

The total number of staff employed has increased during the year to 53 in March 2021. However, it remains the case that at such a scale, data analysed into quartiles are susceptible to distortion because of the impact of individual salaries. This largely explains the difference between the mean and median values.

All staff, apart from the Chief Executive, are on standardised salary scales, which have limited incremental points, and no staff receive bonus payments. The figures in each of the quartiles continue to demonstrate the greater number of females employed, with the highest proportion in the Upper Middle quartile, which remains the same as all previous years.

In making advances, HEFCW continues to undertake anonymous recruitment, where personal details are removed to minimise bias as far as possible and are undertaking different measures in recruitment to improve its diversity such as virtual recruitment Q&As, changing the language of adverts and better demonstrating HEFCW as an employer and its inclusivity and support on our website. HEFCW has a number of work-life balance policies which support and encourage employees and we have taken measures to adapt these during the pandemic to reflect and support staff in their circumstances. We have a number of part time staff, flexitime, homeworking and flexible working patterns, along with

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supportive special leave policies. These support our staff in being able to have both the desired work-life balance as well as furthering their career.

	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Mean gender pay gap	+3.3%	-3.9%	+12.92%	+6.36%	+5.8%
Median gender pay gap	-23.4%	-38.1%	-4.01%	-5.26%	-3.13%

Proportion of males and females in each quartile pay band:

Quartile		31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Lower	(M)	36.36%	54.55%	36.36%	41.67%	35.71%
	(F)	63.64%	45.45%	63.64%	58.33%	64.29%
Lower middle	(M)	36.36%	30.00%	27.27%	41.67%	46.15%
	(F)	63.64%	70.00%	72.73%	58.33%	53.85%
Upper middle	(M)	16.67%	9.09%	9.09%	8.33%	15.38%
	(F)	83.33%	90.91%	90.91%	91.67%	84.62%
Upper	(M)	41.67%	27.27%	36.36%	33.33%	30.77%
	(F)	58.33%	72.73%	63.64%	66.67%	69.23%

Benchmark

Gender pay gap median	15.8%
Gender pay gap mean	14.5%

[ONS](#) data – public sector gender pay gap for all employee jobs, UK, 2020

Community and human rights matters

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

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

We embody the principles of Human Rights in our Equality and Diversity 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. During the year, in response to the office closure, the group has focused on ensuring that all staff have had the opportunity to complete a display screen equipment self-assessment and have appropriate tools to work

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safely from home; wellbeing webinars and general wellbeing support has been available for staff; the lifting of core hours' restrictions has helped in supporting staff; a webinar has been provided to staff on the Employee Assistance Programme as a reminder of the support services available; IT staff have been able to work safely in the Bedwas office as business critical staff, in order to ensure that all IT services have been maintained.

The group also reviewed risk assessments carried out by HEFCW's facilities' section and the Welsh Government's own external fire risk assessment report, none of which identified any areas of concern. All HEFCW staff were required to complete health and safety training via the *Learning Platform for Government* portal.

Anti-fraud and anti-bribery matters

HEFCW's fraud and bribery policy and procedures were last reviewed and updated in 2020-21 as part of our three-year review cycle of our policies. This is part of our practice to safeguard HEFCW against bribery and fraud and to ensure that we fully comply with the Bribery Act 2010 and the Fraud Act 2006 and to ensure that our business is conducted in a socially responsible manner. No instances of either fraud or bribery were reported in the year, and as part of our annual review of our fraud and bribery risk register, no individual risks were assessed at a sufficiently high level to be included in a Corporate Risk Register, which would then have been reportable to both the Audit and Risk Assurance Committee and to our Council.

Staff support and wellbeing

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

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

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

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

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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 *Learning Platform for Government (formerly Civil Service Learning)*, which offers a bank of online training. These aspects support staff employability, whether it is internally, or if they were to move to another organisation.

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

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

Consultancy expenditure

There was £64,062 consultancy expenditure during the year (2019-20: £41,348).

Off-payroll engagements

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

Exit Packages

There were no exit packages during the year.



Dr David Blaney
Chief Executive and Accounting Officer
23 September 2021

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 2021 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual/United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2021 and of its net expenditure, for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual/United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

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

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

Other information

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

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

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

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

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

Matters on which I report by exception

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

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

- proper accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding remuneration and other transactions is not disclosed; or

- I have not received all of the information and explanations I require for my audit.

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

My procedures included the following:

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

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

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

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

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

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

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

Responsibilities for regularity

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

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

Report

I have no observations to make on these financial statements.



Adrian Crompton
Auditor General for Wales
8 October 2021

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of comprehensive net expenditure
for the year ended 31 March 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	234,269		156,267	
Capital expenditure	3	54,000		12,400	
Other purposes	5	21,761		10,974	
		<u>310,030</u>		<u>179,641</u>	
<i>Council expenditure:</i>					
Staff costs		3,027		2,582	
Depreciation	8	77		62	
Amortisation	9	7		6	
Other expenditures	6	479		567	
		<u>3,590</u>		<u>3,217</u>	
Total expenditure			(313,620)		(182,858)
Income					
Income from activities	2		21,444		10,527
Net operating costs			(292,176)		(172,331)
Interest receivable			2		15
Appropriations	7		-		(14)
Net operating costs transferred to taxpayers' equity			(292,174)		(172,330)

All activities are continuing.

There are no recognised gains or losses in either 2020-21 or 2019-20.

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

Details of staff costs are shown on page 38 as part of the Remuneration and Staff Report.

Statement of financial position

as at 31 March 2021

	Notes	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Non-current assets			
Property, plant and equipment	8	97	73
Intangible assets	9	13	1
Repayable grants falling due after one year	10a	2,125	4,617
Total non-current assets		2,235	4,691
Current assets			
Repayable grants falling due within one year	10a	2,492	-
Trade and other receivables	10b	992	859
Cash and cash equivalents	11	1,980	98
Total current assets		5,464	957
Total assets		7,699	5,648
Current liabilities			
Trade and other payables	12	(1,143)	(1,370)
Provisions for liabilities and charges within one year	13	(2)	(1)
Total non-current assets plus net current assets		6,554	4,277
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(20)	(21)
Assets less liabilities		6,534	4,256
Taxpayers' equity			
General reserve		6,534	4,256
		6,534	4,256

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

Signed on behalf of HEFCW



Dr David Blaney
Chief Executive and Accounting Officer
23 September 2021

Statement of cash flows
for the year ended 31 March 2021

	Notes	2021	2020
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(292,176)	(172,331)
Depreciation charges		77	62
Amortisation charges		7	6
(Increase)/decrease in trade and other receivables due within one year		(2,625)	3,570
Decrease in repayable grants due after one year		2,492	-
(Decrease)/increase in trade and other payables		(226)	665
Movement in provisions		-	(1)
Net cash outflows from operating activities		(292,451)	(168,029)
Cash flows from returns on investments and servicing of finance			
Interest received		1	15
Interest surrendered to the Welsh Government		-	(14)
Net cash flows from returns on investments and servicing of finance		1	1
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(101)	(87)
Purchase of intangible fixed assets	9	(19)	-
Net cash outflow from investing activities		(120)	(87)
Cash flows from financing activities			
Funding from the Welsh Government		294,452	168,187
Net cash flows from financing activities		294,452	168,187
Net increase in cash and cash equivalents		1,882	72
Cash and cash equivalents at beginning of period		98	26
Cash and cash equivalents at end of period	11	1,980	98
Net increase in cash		1,882	72

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

Statement of changes in taxpayers' equity
for the year ended 31 March 2021

	General Reserve £'000
Balance at 1 April 2020	4,256
Changes in taxpayers' equity 2020-21	
Net operating costs	(292,174)
Total recognised income and expense for 2020-21	<u>(292,174)</u>
Funding from the Welsh Government	294,452
Balance at 31 March 2021	<u>6,534</u>

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

Notes to the accounts

1. Statement of accounting policies

(a) Basis of accounting

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

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

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

(b) Grants for European Union (EU) projects

Income:

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

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achieves in all material respects a match between grant funding brought to account and the pattern of financial activity at the higher education providers.

(e) Repayable grants

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

(f) Pension costs

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

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

(g) Property, plant and equipment

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

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

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

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

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

(h) Intangible fixed assets

Software licences costing more than £500 are capitalised.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as shown below. A full year's amortisation is charged in the year of acquisition.

Software licences	- 3 years
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(i) Value Added Tax

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

(j) Operating leases

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

(k) Financial instruments

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

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

(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 38, which forms part of the Accountability Report.

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2. Income from activities

	2021 £'000	2020 £'000
European Union – European Social Fund	1,016	989
Department for Business, Innovation & Skills – Research Capital Investment Fund	9,430	6,960
UK Research Partnership Investment Fund (a)	7,824	-
Global Challenges Research Fund (b)	2,814	2,532
Prevent (c)	35	35
Student Partnership Research (d)	-	11
Department of Health and Social Care (e)	325	-
	<u>21,444</u>	<u>10,527</u>

(a) This is funding from the UK Research Partnership Investment Fund (UKRPIF) for the Centre for Integrative Semiconductor Materials at Swansea University. Funding is due to be paid in full by March 2022.

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

(c) This is funding to report on compliance with the Prevent duty by higher education.

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

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

Higher Education Funding Council For Wales

3. Funding of higher education

	Recurrent £'000	2021 Capital £'000	Total £'000	2020 Total £'000
Higher Education Providers				
Aberystwyth University	24,055	3,603	27,658	9,813
Bangor University	21,806	4,808	26,614	11,672
Cardiff University	75,021	15,367	90,388	65,590
Swansea University	36,983	7,507	44,490	26,572
Wrexham Glyndŵr University	10,303	2,374	12,677	5,405
Cardiff Metropolitan University	10,248	5,130	15,378	5,034
University of Wales, Trinity Saint David	12,149	5,165	17,314	5,664
University of South Wales	27,113	9,634	36,747	20,623
Open University	12,309	412	12,721	14,389
Sub-total	229,987	54,000	283,987	164,762
Further Education Providers				
Grŵp Llandrillo Menai	685	-	685	1,185
Grŵp NPTC Group	131	-	131	141
Gower College Swansea	51	-	51	105
Sub-total	867	-	867	1,431
Other Organisations				
Advance HE	16	-	16	132
UK Research and Innovation	106	-	106	44
JANET (UK) Ltd	2,041	-	2,041	2,118
Jisc Services Ltd	50	-	50	-
KPMG LLP	20	-	20	34
National Union of Students	110	-	110	60
OB3	-	-	-	39
The Office for Students	492	-	492	178
Universities UK	1,311	-	1,311	991
Universities Wales	-	-	-	70
Welsh Government (a)	467	-	467	100
Other	170	-	170	190
Sub-total	4,783	-	4,783	3,956
Total	235,637	54,000	289,637	170,149
Less ESF funded expenditure (see note 5)	(1,368)	-	(1,368)	(1,482)
Total	234,269	54,000	288,269	168,667

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

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4. Grants to providers

Included in these accounts are grants to higher education providers, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education providers ends on 31 July and their audited accounts are provided to us by 30 November, with an extension to 28 February 2021 for 2019/20 in recognition of the global pandemic. A review by us of providers' 2019/20 financial statements confirmed that each provider's external auditors had considered that grants had been used for their intended purpose and no adjustments to grants were necessary. In previous years, an end of year clawback has been calculated for credit-based teaching funding. However, due to the current Covid-19 crisis, HEFCW's Council has agreed that no clawback will be applied arising from the monitoring and audit of academic years 2018/19 or 2019/20's student numbers due to the detrimental impact of the coronavirus pandemic on the financial position and anticipated cash flows of institutions during the forthcoming year.

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

5. Expenditure for other purposes

	2021 £'000	2020 £'000
European Social Fund	1,368	1,482
Research Capital Investment Fund (a)	9,430	6,960
UK Research Partnership Investment Fund (b)	7,824	-
Global Challenges Research Fund (c)	2,814	2,532
Department of Health and Social Care (d)	325	-
	<u>21,761</u>	<u>10,974</u>

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

	2021 £'000	2020 £'000
Aberystwyth University	1,125	905
Bangor University	715	634
Cardiff University	4,791	3,744
University of South Wales	159	-
Swansea University	2,640	1,677
	<u>9,430</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 is due to be paid in full by March 2022.

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

Higher Education Funding Council For Wales

- (d) This is a contribution to universities from the Government through the Department of Health and Social Care towards the cost of pre-Christmas 2020 Covid-19 testing of students.

6. Other expenditures

	2021 £'000	2020 £'000
Administration costs		
Accommodation costs	121	150
Office costs	39	65
Bought-in services	88	64
Auditors' remuneration	25	25
Council members' travel and subsistence costs	-	17
Council members' meeting costs	-	10
Staff travel and subsistence costs	18	50
Staff related expenditure on training, recruitment etc.	44	37
Information technology costs	144	149
	<u>479</u>	<u>567</u>

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

7. Appropriations

	2021 £'000	2020 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	-	14

8. Property, plant and equipment

	Information technology equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 April 2020	564	59	623
Additions	101	-	101
Disposals	-	-	-
At 31 March 2021	<u>665</u>	<u>59</u>	<u>724</u>
Depreciation			
At 1 April 2020	493	57	550
Charged during year	76	1	77
Released on disposals	-	-	-
At 31 March 2021	<u>569</u>	<u>58</u>	<u>627</u>
Net book value at 31 March 2021	<u>96</u>	<u>1</u>	<u>97</u>
Net book value at 1 April 2020	<u>71</u>	<u>2</u>	<u>73</u>
Asset financing			
Owned assets			
Net book value at 31 March 2021	96	1	97

9. Intangible fixed assets

	Software licences £'000
Cost	
At 1 April 2020	49
Additions	19
Disposals	-
At 31 March 2021	<u>68</u>
Amortisation	
At 1 April 2020	48
Charged for the year	7
Released on disposal	-
	<u>55</u>
Net book value at 31 March 2021	<u>13</u>
Net book value at 1 April 2020	<u>1</u>

10a. Repayable grants

	2021 £'000	2020 £'000
Repayable grants		
Balances as at 1 April	4,617	5,550
Repaid during the year	-	(933)
Balances as at 31 March	<u>4,617</u>	<u>4,617</u>
Balances as at 31 March		
Within one year	2,492	-
After one year	2,125	4,617
Balances as at 31 March	<u>4,617</u>	<u>4,617</u>

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

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

The scheduled repayment of grants originally planned for financial year 2020-21 was deferred due to the detrimental impact of the coronavirus pandemic on the financial position and anticipated cash flows of the institutions during the forthcoming year. The deferred payment together with the 2020-21 repayment are scheduled to be repaid during 2021-22.

None of the above grants is interest-bearing.

As at 31 March 2021, there was one provider (2020 – one) with repayable grants outstanding.

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10b. Trade receivables and other current assets

	2021 £'000	2020 £'000
Amounts falling due within one year		
Prepayments and accrued income	991	857
Other receivables	1	2
	<u>992</u>	<u>859</u>
Intra-government balances		
Other central government bodies	824	764
Balances with other government bodies	-	-
Balances with non-government bodies	168	95
	<u>992</u>	<u>859</u>

11. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash held under Government Banking Service		
Balance at 1 April	1	2
Net change in cash and cash equivalent balances	1,462	(1)
Balance at 31 March	<u>1,463</u>	<u>1</u>
Cash held under commercial banks and cash in hand		
Balance at 1 April	97	24
Net change in cash and cash equivalent balances	420	73
Balance at 31 March	<u>517</u>	<u>97</u>
Total cash and cash equivalents	<u>1,980</u>	<u>98</u>

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

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12. Trade payables and other current liabilities

	2021 £'000	2020 £'000
Amounts falling due within one year		
Accruals	1,143	1,370
Other taxation and social security	-	-
Sundry creditors	-	-
	<u>1,143</u>	<u>1,370</u>

Intra-government balances		
Central government bodies	212	57
Other central government bodies	-	-
Balances with other government bodies	<u>212</u>	<u>57</u>
Balances with non-government bodies	931	1,313
	<u>1,143</u>	<u>1,370</u>

13. Provisions for liabilities and charges

	2021 £'000	2020 £'000
Broadly by analogy pension liability (see Staff Costs note on pages 37 and 39)	<u>22</u>	<u>22</u>
Analysis of timing of liability		
Falling due within one year (2021-22)	2	1
Falling due between 2022-23 and 2025-26	8	7
Falling due between 2026-27 and 2035-36	<u>12</u>	<u>14</u>
	<u>22</u>	<u>22</u>

14. Commitments under leases

Operating leases

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

	2021 £'000	2020 £'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>127</u>
	<u>126</u>	<u>190</u>

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

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15. Capital commitments

	2021 £'000	2020 £'000
Contracted capital commitments at 31 March 2021, not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	5	11

16. Other financial commitments and contingent liabilities

	2021 £'000	2020 £'000
Revenue grants (a)	54,924	48,698
European projects (b)	3,578	5,012
	<u>58,502</u>	<u>53,710</u>

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

(b) European projects will be funded as follows:

	2021 £'000	2020 £'000
European Social Fund grants	2,445	3,440
HEFCW	1,133	1,572
	<u>3,578</u>	<u>5,012</u>

The European projects also have financial commitments of £444k 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 2021, there were no contingent liabilities (2020 – nil).

Higher Education Funding Council For Wales

17. Related parties

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

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

Name	Relationship with related party
David Allen OBE (former Chair of Council)	<ul style="list-style-type: none"> ◆ Son studying at Swansea University
Rob Humphreys CBE, FLSW (Interim Chair of Council)	<ul style="list-style-type: none"> ◆ Adviser to the Welsh Government on routes into teacher education, including working with the Open University as the Government-chosen provider ◆ Elected fellow, Learned Society of Wales ◆ Ongoing input and assistance to Global Wales project managed by Universities Wales
Dr David Blaney (Chief Executive)	<ul style="list-style-type: none"> ◆ Fellow, Higher Education Academy ◆ Daughter studying at Cardiff University ◆ Daughter studying at Swansea University
Professor Mark Smith CBE	<ul style="list-style-type: none"> ◆ Board Member, HESA ◆ Member, EPSRC ◆ Trustee, Jisc ◆ Chair, Universities and Colleges Employers Association ◆ Member, Research Policy, Funding Policy and Long term Strategy Network Groups, Universities UK
James Davies	<ul style="list-style-type: none"> ◆ Honorary Fellow, University of Wales, Trinity Saint David
Professor Aaqil Ahmed	<ul style="list-style-type: none"> ◆ Senior Independent Panel Member, Welsh Government, public appointments
Professor Helen Marshall	<ul style="list-style-type: none"> ◆ Academic Reviewer, Quality Assurance Agency
Dr Peter Higson	<ul style="list-style-type: none"> ◆ Honorary Senior Lecturer in Psychology, Bangor University

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 2020-21, £294.4m or 93.2% of our income was derived from the Welsh Government (2019-20 - £168.2m or 94.1%). The remaining income, £21.4m or 6.8%, was derived from income from activities (2019-20: £10.5m or 5.9%).

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

Interest rate risks – Some of the cash balances which are drawn down from the Welsh Government to pay funding commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.01% in the year. The cash balance at the year-end was £1,980k. 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 23 September 2021, requiring an adjustment to the accounts.