

WGSB FRAMEWORK DOCUMENT: HIGHER EDUCATION FUNDING COUNCIL FOR WALES

Introduction

1. This Framework Document has been drawn up by the Department for Education and Skills (DfES) in consultation with the Higher Education Funding Council for Wales (HEFCW), a Welsh Government Sponsored Body (WGSB). It sets out the broad framework within which HEFCW operates and details the terms and conditions under which the Welsh Ministers provide grant-in-aid¹ to HEFCW. A comprehensive overview of public financial management arrangements in Wales is provided by *Managing Welsh Public Money*. Payment of grant-in-aid is conditional upon the satisfactory performance by HEFCW of all its obligations as set out in this document and such other conditions and requirements as the Welsh Ministers may, in accordance with section 68 of the Further and Higher Education Act 1992 and section 88 of the Education Act 2005, from time to time impose. The document shall be reviewed from time to time by the Welsh Government and HEFCW jointly but usually at no greater than five yearly intervals, although it is likely that following the passage of the Higher Education Wales Bill a review of this document will take place. Copies of the document together with any subsequent amendments have been placed in the Library of the National Assembly for Wales (the National Assembly) and made available to members of the public via the HEFCW website. The document has been signed and dated by DfES and HEFCW.

2. The Welsh Government and its WGSBs have agreed the following Principles to govern relations between them:

Governing Principles defining relations between Welsh Government Sponsored Bodies and the Welsh Government

Joint mission and purpose

1. **Delivering for Wales.** Welsh Government Sponsored Bodies (WGSB) play a key role in the governance of Wales and meeting the aspirations of Welsh citizens. From the perspective of the Welsh Government, the primary role of an WGSB is to fulfil its statutory responsibilities and to meet objectives established by the Welsh Ministers using funds voted by the National Assembly of Wales. This relationship is conducted through a sponsorship arrangement managed on behalf of Ministers by the Welsh Government. WGSBs have diverse organisational forms, including charities and quasi-judicial bodies and can cover different jurisdictions beyond Wales. Whilst respecting this diversity, Ministers look to WGSBs primarily to deliver important functions and services for the people of Wales on their behalf.

¹ Grant in aid includes all funding paid to HEFCW via the annual remit letter excluding funding awarded to cover the cost of Tuition Fee Grant payments (see most recently the Higher Education Funding Council for Wales (Supplementary Functions) Order 2013/1733). However, the HEFCW Accounting Officer's responsibilities for safeguarding public money extend to all funds paid to HEFCW by the Welsh Ministers for whatever purpose.

- 2. Outcome focus and WGSB performance.** Within the constraints set by statute and Ministerial commitments, WGSB objectives will as far as possible be specified in terms of outcomes that are clear, relevant and challenging. To promote innovation and efficiency, WGSBs shall be given as much flexibility as possible in how these outcomes are achieved. Individual remit letters should be no more prescriptive than the WGSBs responsibilities require. However, the performance framework assesses the contribution of the WGSB in achieving outcomes.

Relationships between the Welsh Government and WGSBs

- 3. Relationships defined by trust and risk.** The relationship between the Welsh Government and WGSBs should be based on trust and mutual respect, with a proportionate approach to risk. Where there is evidence of poor performance or weak governance, the Welsh Government will adopt a more prescriptive 'hands-on' approach to the relationship. The Welsh Government will ensure that its sponsorship functions perform effectively and meet the expectations set out in these principles.
- 4. Effective collaboration.** WGSBs are highly valued for their expertise and experience. WGSBs, the Welsh Government and the wider public sector recognise the importance of working together and building 'Team Wales', seeking opportunities for broader and deeper collaboration in policy development supporting each other and celebrating success. Opportunities to save money, identify efficiencies and improve effectiveness should be pursued energetically and jointly.
- 5. Effective communication.** WGSBs and the Welsh Government form an extended family and undertake to maintain a consistent, respectful and collegiate approach to dealing with each other in public and private. All parties undertake to strive for effective communication, to be as open as possible, to share information on a 'no surprises' basis and to manage contentious matters through dialogue and negotiation.

Governance and accountability

- 6. WGSB chair and board.** The chairs of WGSBs are important figures in Welsh public life and will be appointed in accordance with the Code of Practice for Ministerial Appointments to Public Bodies. WGSB boards are accountable to Ministers for achieving the defined objectives, ensuring high quality corporate governance and for oversight of the WGSB executive, including the Chief Executive.

- 7. Primary role of the board in WGSB oversight.** Governance and the internal control regime should be a matter primarily for the WGSB board. The Welsh Government will rely on the board, internal audit and Wales Audit Office for assurance. The sponsorship role should focus on accounting for delivery of objectives and the management of relationships between the WGSB and the Welsh Government. Clear roles and expectations for Ministers, chairs, boards, executives, accounting officers, sponsorship divisions and auditors should be set out in the Framework Document.
- 8. Performance management.** Whilst we expect the norm to be good performance, effective governance and a respectful relationship, our approach must be capable of an effective response to poor performance or other problems. Where there is evidence of poor performance in relation to objectives, management of funds, board effectiveness or other aspects of governance, the Welsh Government has both the right and responsibility to become more involved and more prescriptive. Performance management will be risk-based, relying on evidence of robust internal control to support a lighter touch or alternatively to apply a stronger grip where risks are managed less satisfactorily.
- 9. Delegation.** Welsh Government and WGSB accounting officers remain jointly accountable for public funds spent through WGSB sponsorship. However, the routine sponsorship management regime should be only as prescriptive as necessary to be assured that public funds are managed correctly and that outcomes are being achieved cost-effectively. Financial responsibility will be delegated to the extent possible, consistent with Welsh Ministers and accounting officer responsibilities.
- 10. Responding to change.** In a changing world and with changing ministerial priorities, it may be necessary to reshape the functions and methods of service delivery of WGSBs or, where more appropriate, to review the continued relevance of their objectives and constitutional arrangements. The Welsh Government may from time to time conduct in-depth organisational or thematic reviews to ensure that its WGSBs remain fit for purpose and to make proposals for reform.

3. HEFCW must ensure that, in carrying out its functions, it does so in a way that is consistent with the ²*Welsh Government's Citizen-Centred Governance Principles* which incorporate the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the Nolan Committee):

- putting the Citizen First;
- knowing Who does What and Why;
- engaging with Others;
- living Public Service Values;
- fostering Innovative Delivery;

² Welsh Government Citizen Centred Governance Principles are outlined in Annex 1.2 of *Managing Welsh Public Money* which is referenced at Annex 2 to this document.

- being a Learning Organisation; and
- achieving Value for Money.

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1. Purpose of the Higher Education Funding Council for Wales (HEFCW)

1.1 HEFCW was established under section 62(1)(b) of the Further and Higher Education Act 1992 (the 1992 Act). As a public body, its primary role is to fulfil its statutory responsibilities. Its main purpose is to administer funds made available to it by the Welsh Ministers and others for the purpose of providing financial support for activities eligible for funding under section 65 of the 1992 Act and section 85 of the Education Act 2005. These activities predominantly relate to the provision of higher education, teacher training and other activities of higher education institutions in Wales. HEFCW is also responsible, under section 70 of the 1992 Act, for securing the assessment of the quality of higher education provided in Wales and, under Regulations made under section 132 of the Education Act 2002³, for accrediting institutions providing initial teacher training in Wales. HEFCW also has functions under the Higher Education Funding Council for Wales (Supplementary Functions) Order 2013⁴ which relate to the payment of tuition fee grant to higher education institutions (and the recovery of such grant) in respect of students starting designated higher education courses on or after 1 September 2012. Under section 30 of the Higher Education Act 2004 (the 2004 Act) HEFCW has functions relating to the approval and enforcement of fee plans as the relevant authority⁵. Section 40A of the 2004 Act provides that as relevant authority HEFCW must provide a report to the Welsh Ministers at the end of each financial year on the exercise of its functions. Section 40A of the 2004 Act also provides HEFCW, as relevant authority, with functions in respect of the promotion of equality of opportunity in respect of higher education, and imposes a duty⁶ to provide the Welsh Ministers with such information and advice relating to the promotion of equality of opportunity in connection with access to higher education and the promotion of higher education as the Welsh Ministers may require.

In addition to its statutory role HEFCW also acts as the primary conduit for communication between the Welsh Government and the HE sector.

2. Governance and Accountability

2.1 Legal Origins of Powers and Duties

2.1.1 HEFCW's powers and duties are set out in Part 2 and Schedule 1 of the Further and Higher Education Act 1992, Part 3 of the Education Act 2005 and Part 3 of the Higher Education Act 2004.

2.2 Roles and Responsibilities

Ministerial Responsibility

³ Education (School Teachers' Qualifications) (Wales) Regulations 2012 (S.I. 2012/724) (W. 96).

⁴ S.I. 2013/1733 (W. 172), made under section 69(5) of the Further and Higher Education Act 1992

⁵ HEFCW's appointment is pursuant to the Higher Education Act 2004 (Relevant Authority) (Designation) (Wales) Regulations 2011/658 (W. 96).

⁶ Section 40A(3)(a).

2.2.1 The First Minister has allocated responsibility for the oversight of HEFCW to the Minister for Education and Skills (the Minister). The Minister generally exercises functions of the Welsh Ministers in relation to HEFCW. The Minister sets terms and conditions of funding for HEFCW, makes representations about matters affecting Wales, gives general directions about the exercise of HEFCW's functions and is accountable to the National Assembly for its activities. The Minister meets with the Board of HEFCW each year to review performance and discuss current and future activities.

Accountabilities and Responsibilities of the Principal Accounting Officer

2.2.2 The Principal Accounting Officer (PAO) for the Welsh Ministers is the Permanent Secretary to the Welsh Government. The PAO has responsibilities specified by HM Treasury and is accountable to the National Assembly (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts) for:

- the regularity and propriety of the Welsh Government's finances;
- the keeping of proper accounts of the Welsh Ministers; and
- the effective and efficient use of resources voted to HEFCW under the Welsh Government's Annual Budget Motion.

2.2.3 The PAO is also responsible for ensuring that the financial and other management controls applied across the Welsh Government are appropriate and sufficient to safeguard public funds. The PAO is assisted in these duties by the Director General for Education and Skills whom the PAO has designated as an Additional Accounting Officer (AAO) and to whom the PAO has delegated responsibility for HEFCW.

Sponsor Department's Additional Accounting Officer's Accountabilities and Responsibilities

2.2.4 The Director General for Education and Skills is the sponsor department's AAO. The AAO is responsible to the Minister and the National Assembly for ensuring that financial and other management controls applied by HEFCW conform with the requirements of both propriety and good financial management. Accordingly, the AAO is responsible for ensuring that an adequate statement of the financial relationship between the Welsh Ministers and HEFCW is in place and is reviewed regularly; and for the quality of the Welsh Government's relationship with HEFCW.

2.2.5 The AAO is accountable to the National Assembly for the grant-in-aid awarded to HEFCW and for advising the Minister:

- on an appropriate framework of objectives and targets for HEFCW in the light of the DfES's wider strategic aims and key delivery and performance indicators.
- on an appropriate budget for HEFCW in the light of the sponsor department's overall spending priorities; and

- on the progress being made by HEFCW in relation to achieving its strategic objectives in light of the representations, directions and resources determined by the Minister and whether it is delivering value for money.

2.2.6 The AAO is also responsible for ensuring arrangements are in place to:

- monitor HEFCW's activities and its financial position through regular meetings and returns;
- address significant problems within HEFCW, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to DfES's and HEFCW's objectives and activities;
- inform HEFCW of relevant government policy in a timely manner;
- bring to the attention of HEFCW's full board any concerns about the activities of HEFCW, requiring explanations and assurances that remedial action will be taken; and
- unless covered by the Further and Higher Education Act 1992 designate the Chief Executive of the HEFCW as its Accounting Officer.

2.2.7 The AAO has delegated responsibility for the day to day management of relations with HEFCW to the Director of Skills, Higher Education and Lifelong Learning who heads the sponsor team within the Welsh Government.

Sponsor Team

2.2.8 The Performance Management and Funding Policy Branch in the sponsor department is the primary contact for HEFCW. They are the main source of advice to the Minister in respect of HEFCW. They also support the sponsor department's AAO on his responsibilities towards HEFCW. Officials of the sponsor team will liaise regularly with HEFCW officers to review HEFCW's financial performance against plans and the achievement against targets. The sponsor team will also take the opportunity to inform and explain wider policy developments that might impact on HEFCW and take account of the expertise and experience HEFCW can contribute. Further information about the sponsor branch's responsibilities can be found at Annex 1.

Accountabilities and Responsibilities of the Chief Executive as HEFCW Accounting Officer

General

2.2.9 The specific responsibilities of a WGSB Accounting Officer are set out in the Welsh Government's Memorandum "*The Responsibilities of a Welsh Government Sponsored Body (WGSB) Accounting Officer*". As accounting officer the Chief Executive is personally responsible for the proper stewardship of the public funds for which he has charge; for the day-to-day operations and management of HEFCW; and for ensuring compliance with the requirements of "*Managing Welsh Public*

Money". The Chief Executive may be assisted in the exercise of his or her role by employees of HEFCW. The Chief Executive may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable under this document.

Accountabilities to the National Assembly

2.2.10 HEFCW's AO is accountable to the National Assembly, and has (in summary) responsibility for:

- signing the accounts and ensuring that proper records are kept relating to the accounts;
- ensuring that the accounts are prepared and presented in accordance with any directions issued from the Welsh Ministers;
- signing a statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- signing the Governance Statement for inclusion in the Annual Report and Accounts;
- giving evidence, including attending hearings, on matters relating to HEFCW which arise before the National Assembly's Public Accounts Committee, other committees of the National Assembly, the House of Commons Committee on Public Accounts or other Parliamentary Committees, to account for HEFCW's stewardship of public resources; and
- acting upon any recommendations of those committees that have been accepted by the Welsh Government.

Accountability to the Sponsor Department

2.2.11 HEFCW's AO is accountable to the sponsor team for the following:

- establishing, in agreement with the sponsor team, HEFCW's corporate and operational plans;
- informing the sponsor team of progress in helping to achieve the DfES's policy aims and demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the sponsor team; that the sponsor team is notified promptly if over-spends or under-spends are likely and that corrective action is taken;
- ensuring that significant problems and high-significance risks are notified to the sponsor team as quickly as possible; and
- providing the sponsor team with such information about its performance and expenditure as the sponsor team may reasonably require.

Responsibilities in respect of the HEFCW Council

2.2.12 The AO is also responsible for:

- advising the Council on the discharge of its responsibilities as set out in this document, relevant legislation, the Minister's annual Remit letter or other communication; and any other guidance that may issue from time to time;
- advising the Council on HEFCW's performance against its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions and that suitable financial appraisal techniques are followed;
- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensuring that robust internal management and financial controls are introduced, maintained and reviewed regularly - including measures to protect against fraud and theft (such measures to incorporate a comprehensive system of internal delegated authorities); establishing procedures for handling complaints about HEFCW; and developing and maintaining appropriate personnel management policies, all of which shall be readily available to all staff; and
- taking action as appropriate in accordance with the Accounting Officer's memorandum (referenced at paragraph 2.2.9 above) if the Council or its Chair is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, or, efficiency or effectiveness, questionable feasibility or is unethical.

The Chief Executive's role as Consolidation Officer

2.2.13 The Chief Executive is designated by HM Treasury as HEFCW's Consolidation Officer for the purposes of Whole of Government Accounts and must comply with the requirements of the Consolidation Officer Memorandum.

The Chief Executive's role as Principal Officer for Ombudsman Cases

2.2.14 The Chief Executive is also the Principal Officer for handling cases involving the Public Service Ombudsman for Wales.

The Chief Executive's Role as the Qualified Person for the purposes of the Freedom of Information Act 2000

2.2.15 The Chief Executive is the person authorised by the Welsh Ministers as HEFCW's qualified person for the purposes of the Freedom of Information Act 2000.

HEFCW's Council

2.2.16 The Chair and other Council members are appointed by the Minister for a period of three years (except for the CEO whose terms of appointment are set out in his/her contract of employment). Appointments to the Council are regulated by the Commissioner for Public Appointments and must be made in accordance with section 62 of the Further and Higher Education Act 1992 and the Commissioner's Code of Practice for Ministerial Appointments to Public Bodies
<http://publicappointmentscommissioner.independent.gov.uk/the-code-of-practice>

2.2.17 The Chair and members can be reappointed for any number of terms providing their performance has been judged as at least satisfactory. However, under the terms of the Code of Practice, no individual is to serve more than ten years in total. The performance of the Chair and members should be assessed annually.

Collective Responsibilities

2.2.18 The role of the Council is to:

- provide effective leadership; defining and developing strategic direction and setting challenging objectives;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure that HEFCW's activities are conducted efficiently and effectively; and
- monitor performance to ensure that HEFCW fully meets its aims, objectives and performance targets.

2.2.19 To do this the Council must ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. It must establish an Audit Committee chaired by a non-executive member (but not the Chair) to provide it with independent advice. The Council is expected to assure itself of the effectiveness of the internal control and risk management systems.

2.2.20 The personal responsibility of the Chief Executive as Accounting Officer to ensure regularity, propriety and value for money in no way detracts from that of members of the Council, who each have a duty to act in a way that promotes high standards of public finance and for ensuring that HEFCW's activities are conducted in an efficient and effective manner. They must not give the Chief Executive instructions which conflict with his/her duties as HEFCW's Accounting Officer.

2.2.21 In particular the Council is responsible for:

- establishing and taking forward the strategic aims and objectives of HEFCW consistent with its overall purpose and within the policy and resources framework determined by the Minister;
- ensuring that the Minister is kept informed fully of any changes that are likely to impact on the strategic direction of HEFCW or on the attainability of its targets, and of steps needed to deal with such changes;
- ensuring compliance with any statutory or administrative requirements in respect of the use of public funds; that it operates within the limits of its

statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it takes into account all guidance issued to it by the Welsh Government;

- ensuring that it receives and reviews regularly, financial information concerning the management of HEFCW; that it is informed in a timely manner about any concerns as to the activities of HEFCW; and that, where applicable, it provides positive assurance to the Minister via the sponsor team that appropriate remedial action has been taken to address any such concerns;
- demonstrating high standards of corporate governance at all times, including by using the audit committee to help the Council to address key financial and other risks; and
- appointing, with the prior approval of the Minister, a Chief Executive.

2.2.22 The Council may, to the extent permitted by the Further and Higher Education Act 1992, delegate to staff responsibility for the administration of day-to-day management issues but it remains ultimately responsible and accountable for all those matters. HEFCW must maintain a list of matters which are reserved for decision by its Council as well as a scheme of delegation approved by the Council.

The Chair's Personal Responsibilities

2.2.23 The Chair is accountable to the Minister. Communications between the Council and the Minister shall, in the normal course of business, be conducted through the Chair. The Chair shall ensure that other Council members are kept informed of all such communications. The Chair is responsible for ensuring that the Council's policies and actions take account of the Minister's wider strategic policies and that its affairs are conducted with probity. Where appropriate these policies and actions must be communicated and disseminated throughout HEFCW.

2.2.24 The Chair has a particular leadership responsibility regarding:

- formulating the Council's strategies;
- ensuring that the Council, in reaching decisions, takes proper account of statutory and financial management requirements and all relevant guidance including guidance provided by the Welsh Ministers;
- promoting the economic, efficient and effective use of staff and other resources;
- ensuring high standards of regularity and propriety; and
- representing the views of the Council to the public.

2.2.25 The Chair must also:

- ensure that all Council members are briefed fully on the terms of their appointment and on their duties, rights and responsibilities;

- ensure that they, together with other Council members, receive appropriate training, including on the financial management and reporting requirements of public sector bodies and on the differences that might exist between private and public sector practice;
- ensure that the Council has a balance of skills appropriate to directing the HEFCW's business, and advise the Minister, in instances where appointments are to be made by him/her, on the needs of HEFCW when Council vacancies arise;
- assess the performance of individual Council members in accordance with the arrangements agreed with the sponsor team;
- ensure that a Code of Practice for Council Members is in place consistent with the Welsh Government guidance on codes of practice.

Individual Council Members' Responsibilities

2.2.26 In undertaking their duties and responsibilities Council members must:

- comply at all times with HEFCW's Code of Practice for Council Members, and with the rules relating to the use of public funds and conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of persons or organisations with whom they have a relationship;
- comply with HEFCW's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act always in good faith and in the best interests of HEFCW.

2.3 Accounting Arrangements and Audit

Annual Report and Accounts

2.3.1 The statutory accounting and reporting requirements are set out in paragraph 16 of Schedule 1 to the Further and Higher Education Act 1992.

Statutory Accounts

2.3.2 Each financial year HEFCW must prepare accounts in accordance with the Accounts Direction issued by the Welsh Ministers. By the end of August following the financial year to which the accounts relate, HEFCW must submit to the Auditor General for Wales (AGW) the signed accounts together with a letter of representation. HEFCW must also forward two copies of the signed accounts to the sponsor team. The AGW shall lay the audited accounts before the National Assembly as required by paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992.

Annual Report

2.3.3 As soon as possible after the end of each financial year, HEFCW must publish a report of its activities, in the form of an Annual Report. This permits the National Assembly, clients, stakeholders and the public to judge its success in meeting its targets. The precise format of the published annual report will be discussed with the sponsor team.

2.3.4 HEFCW must submit a draft of the report to the sponsor team at least ten working days before publication. A copy of the final Annual Report must be submitted to the Minister prior to its formal publication.

2.3.5 The annual report must:

- outline HEFCW's main activities and performance during the previous financial year;
- report on performance against key performance indicators and other deliverables and outline progress that has been made in taking account of the Welsh Government's strategic aims for example the 'Programme for Government';
- report on the activities of any corporate bodies under its control; and
- include either a summary of HEFCW's audited accounts or publish the full audited accounts within a single document.

2.3.6 The sponsor team may lay a copy of the Annual Report before the National Assembly under Standing Order 15.2 (as may be amended). This may only be done after the accounts have been audited but before the Annual Report is published. In the event that the Annual Report is to be laid before the National Assembly, HEFCW will be notified of this by the sponsor team.

2.3.7 HEFCW shall liaise with the AGW and the sponsor team regarding the precise timetable for publication and laying of the Annual Report and the accounts.

Audit Committee

2.3.8 HEFCW must establish an Audit Committee to advise its Accounting Officer on the adequacy of arrangements within HEFCW for internal audit, external audit and corporate governance matters. HEFCW shall share with their sponsor team copies of the minutes of their Audit Committee meetings. The sponsor team may attend any meeting of the Audit Committee if they consider that the circumstances require it.

Internal Audit

2.3.9 HEFCW must:

- establish and maintain arrangements for internal audit in accordance with the objectives, standards and practices described in HM Treasury's Public

Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;

- if the function is provided in-house, ensure that arrangements are made for external quality reviews of its internal audit at least once every five years and in accordance with Public Sector Internal Audit Standards. The Welsh Government shall consider whether it can rely on these reviews to provide assurance on the quality of HEFCW's internal audit;
- each year, following approval by HEFCW's Accounting Officer and its Audit Committee, submit to the sponsor team the audit strategy, periodic audit plans and annual audit report, including the Head of the Internal Audit Service's opinion on risk management, control and governance; and
- notify the sponsor team as soon as possible of any changes to the terms of reference of its internal audit arrangements and/or its Audit Committee.

2.3.10 The Welsh Government shall:

- assess the effectiveness of HEFCW's internal audit arrangements by scrutiny of their plans for future activity, reports on past activity and its annual assurance report (as prepared by HEFCW's Head of the Internal Audit Service); and
- have a right of access to all documents prepared by HEFCW's internal auditor, including where the service is contracted out.

External Audit

2.3.11 The AGW is HEFCW's statutory external auditor.

2.3.12 In the light of new provisions contained in the Companies Act 2006 concerning the audit of public sector entities arrangements for the audit of any subsidiary companies established by WGSBs are being reviewed.

2.3.13 The AGW shall send a copy of the final Additional Assurance Report and Management letter to the Additional Accounting Officer of the sponsor department. Under section 145 of the Government of Wales Act 1998 the AGW may carry out examinations into the economy, efficiency and effectiveness with which HEFCW has used its resources in discharging its functions. Under section 145A, the AGW may undertake studies designed to enable him or her to make recommendations for improving economy, efficiency and effectiveness in the discharge of HEFCW's functions, and other studies relating to the provision of its services. For the purposes of these examinations, as well as the statutory financial audit, the AGW has a statutory right of access to documents. The Comptroller and Auditor General and AGW also have rights of access by virtue of section 136 of the Government of Wales Act 2006. In addition, HEFCW shall provide, in conditions to grants and contracts, for the AGW to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and

shall use its best endeavours to secure access for the AGW to any other documents required by the AGW which are held by other bodies.

Sponsor Department's Right of Access

2.3.14 Should the need arise the sponsor team has a right of access to all HEFCW's records and personnel for monitoring purposes including, for example, sponsorship audits and operational investigations.

3. Management Arrangements

3.1 General

3.1.1 Unless otherwise agreed in writing by the sponsor team, HEFCW must at all times follow the principles, rules, guidance and advice in *Managing Welsh Public Money* and this document, referring any difficulties or potential cases for exceptions to the sponsor team in the first instance. A list of the guidance and instructions is at Annex 2.

3.1.2 HEFCW must ensure always that its relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark.

3.1.3 In pursuit of its aims, and reflecting the commitments in the Welsh Ministers' partnership agreements, HEFCW shall work closely with other organisations in Wales including the private sector, local authorities and the voluntary sector.

3.2 HEFCW Staff

Recruitment, retention and motivation of staff

3.2.1 Within the arrangements approved by the Minister HEFCW is responsible for the recruitment, retention and motivation of staff subject to the following general requirements:

- in the recruitment, management and advancement of staff HEFCW will follow the principles and behaviours set out in Chapter 4 of '*Managing Welsh Public Money*';
- HEFCW may determine its own structure with the exception of:
 - the creation or re-grading of any senior management post that reports directly to the Chief Executive;
 - any proposal to create a new post at, or to re-grade a post to, a level which is not already represented in the staff structure; or
 - any proposal to re-grade all posts at a particular grade.

- HEFCW may vary the total number of staff employed to reflect changes in the scale of its operations or functions. The associated pay and related costs must be adjusted accordingly and reflected within the Management Running Cost total unless otherwise notified to the sponsor team;
- subject to its delegated levels of authority, HEFCW must ensure that the creation of any additional posts does not incur forward commitments which shall exceed its ability to pay for them;
- staff management and development policies are in place which include arrangements for appraising the performance of staff and encouraging staff to acquire appropriate professional, management and other expertise;
- HEFCW will adopt a Code of Conduct for its staff;
- appropriate grievance and disciplinary procedures are established;
- appropriate arrangements are in place to deal properly with any staff concerns about improper conduct;
- proper consultation with staff takes place on matters affecting them.

Pay and Conditions of Service

3.2.2 All staff of HEFCW shall be subject to overall levels of remuneration and terms and conditions of service (including superannuation) as have been approved by the Minister. Any changes to those terms and conditions, including levels of remuneration, must be authorised by the Minister.

3.2.3 HEFCW has no delegated powers to amend its overall terms and conditions. However, HEFCW may vary individual contracts of employment without recourse to the Minister provided that any changes are within the overall framework of the terms and conditions approved by the Minister.

3.2.4 Staff terms and conditions must be made available to the Sponsor team.

Pay Remits

3.2.5 HEFCW shall present to the sponsor team a detailed case for its annual pay remit for pay negotiations. The pay remit shall be in the format specified annually by the Welsh Government and must reflect the needs of the organisation for changes in pay, grading and other terms and conditions of service. The proposals must be fully costed and shown to be affordable in the year in question and subsequent years. HEFCW is expected to operate a system of pay that provides all staff with equal opportunity for progression.

3.2.6 The sponsor team must be satisfied that all pay arrangements have been subject to an equal pay audit and, in addition, will require evidence from time to time that there has been independent quality assurance that meets this requirement.

Staff Benefits and Non-Pay Rewards

3.2.7 In considering gifts or non-pay rewards to staff or Council members HEFCW must take a view on whether such a course of action represents an appropriate use of public money. In devising staff benefits or non-pay reward schemes HEFCW must pay attention to HM Treasury's "Regularity, Propriety and Value for Money".

Pensions

3.2.8 By Virtue of paragraph 7(5) of schedule 1 to the 1992 Act, employment with HEFCW is included among the kinds of employment to which a scheme under section 1 of the Superannuation Act 1972 can apply. Any proposal by HEFCW to move from the existing pension arrangements requires written approval from the sponsor team.

Redundancy, Severance and Compensation

3.2.9 Any proposal to pay redundancy or compensation for loss of office requires prior written approval from the sponsor team. Proposals on severance must comply with the rules set out in Chapter 4 of *Managing Welsh Public Money*.

3.3 Planning Framework

Budget Planning

3.3.1 The Welsh Government's budget planning arrangements are governed by the requirements of the Government of Wales Act 2006 and the Standing Orders of the National Assembly.

3.3.2 HEFCW must co-operate with the sponsor team in providing the necessary assistance and information to the Welsh Government to take forward its budget planning decisions.

3.3.3 The Minister will confirm the amount of funding to be provided to HEFCW and any other relevant budgets as soon as possible, and normally no later than one month after the final budget has been agreed by the National Assembly.

Business Planning

Remit Letters

3.3.4 The Minister shall, by the end of the December before the financial year to which it relates, discuss with HEFCW a draft remit letter setting out the Government's policy aims and areas for key performance indicators. The final remit letter will be issued as soon as possible, and normally no later than one month, after the National Assembly has approved the final budget and shall include the voted grant-in-aid figure and related budgetary control totals.

Corporate Plans

3.3.5 HEFCW must produce a corporate plan in line with the current Welsh Government strategic agenda. In developing its corporate plan, HEFCW must have due regard to the Welsh Government's policy framework as described in the remit letter and other policy documents, as indicated by the Sponsor Team. The corporate plan must be updated as and when requested by the sponsor team. Unless otherwise agreed, corporate plans will be rolled forward year on year in consultation with the sponsor team as they develop their own business plans.

Operational Plans

3.3.6 HEFCW shall prepare an annual operational plan setting out the level of service to be achieved in key areas and the performance and output information that shall be collected to monitor progress. In developing its operational plan, HEFCW must have due regard to the Minister's strategic agenda as described in the remit letter. HEFCW's corporate plan will also affect the content of the operational plan. It is for the Council to develop the precise content of their operational plan, in consultation with the sponsor team.

Approval of Plans

3.3.7 HEFCW must submit its draft corporate and operational plans to the Welsh Ministers for approval, in accordance with the timetable agreed with the sponsor team and make them available to the public.

3.4 Performance Management

3.4.1 HEFCW must operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the targets set out in the corporate and operational plans. It must inform the sponsor team of any changes that make achievement of objectives more or less difficult.

3.4.2 Each quarter, HEFCW must provide a report to the sponsor team which sets out its progress towards meeting the key targets, activities and outputs set out in the operational plan. The report must also include details of actual expenditure for the year to date against the approved budgets together with forecast expenditure figures for the year and explanations of any significant differences and issues. Wherever possible the written reporting format submitted to the sponsor department on a quarterly basis will be consistent with HEFCW's arrangements for reporting to its Council.

3.4.3 HEFCW and the sponsor team shall meet once a quarter to discuss these progress reports. HEFCW's Chief Executive and Chair will also meet the Minister on a quarterly basis to discuss progress.

Exception Reporting

3.4.4 HEFCW must notify the sponsor team as soon as it becomes apparent that:

- the full-year expenditure is likely to exceed its approved provision; or
- it is likely to under spend by more than the equivalent of 2% of its total grant-in-aid.

3.4.5 It must also provide:

- an annual report of losses written-off and special payments made or sanctioned during the previous twelve months;
- an annual report outlining all cases of fraud and theft to which it has been exposed.

3.5 Periodic Review

As part of the programme of reviews of Welsh Government Sponsored Bodies for which it is responsible, the Welsh Government may conduct a review of HEFCW from time to time. The next review will be commenced before the end of 2016.

3.6 Subsidiary Companies and Joint Ventures

3.6.1 HEFCW must not establish subsidiary companies or joint ventures which involve setting up special purpose vehicles – such as companies, partnerships or any other structure with legal identity and liability – without securing the prior written approval of the sponsor team.

3.6.2 Any subsidiary company or joint venture controlled or owned by HEFCW shall be consolidated with it, as required by accounting standards and, unless agreed otherwise by the sponsor team, shall be subject to the controls and requirements set out in this document, and to any such other further provisions set out in pertinent guidance and instructions.

4. Financial Responsibilities

4.1 Expenditure

General

4.1.1 Subject to any restrictions imposed by the Further and Higher Education Act 1992, and in particular the prohibition from borrowing money set out in paragraph 1 of Schedule 1, directions of the Welsh Ministers, or by this document, HEFCW may, as soon as its budget has been approved by the Minister, incur expenditure on the programme approved in its annual budget without further reference to the sponsor team, subject to the following conditions:

- HEFCW must comply with the delegations set out in Annex 3. These delegations must not be modified or breached without the written agreement in advance of the sponsor team;
- HEFCW must obtain written approval in advance of proceeding with:

- any proposal which could be considered to be novel, contentious or repercussive;
 - any change of policy or practice which has wide financial implications;
 - anything that might affect the future level of resources required; or
 - any significant change in the operation or funding of any initiative or particular scheme approved by the sponsor department;
- HEFCW must follow the policy framework set out in *Managing Welsh Public Money* in relation to the procurement of goods and services;
 - HEFCW will comply with the general principle that there is no payment in advance of need except in exceptional cases, in which case, the principles set out in *Managing Welsh Public Money* must be observed. For the avoidance of doubt, payments made to HEFCW in respect of the supplementary functions conferred on it relating to payments under the Student Fees (Amounts) (Wales) Regulations i.e. tuition fee grant payments are not covered by this clause;
 - HEFCW must consult the sponsor team before entering into any property lease agreement. The sponsor team must also approve in advance any proposals to relocate or move to new accommodation;
 - HEFCW must be open and transparent in its approach to gifts and have clear policies on disclosing information about, and the procedures adopted for, making any gifts.

Lending, Guarantees and Investments

4.1.2 HEFCW must not, without the sponsor team's prior written consent, lend; charge any asset or security; give any guarantee or indemnities; letters of comfort; or incur knowingly any other contingent liability (as described in "*Managing Welsh Public Money*") whether or not in a legally binding form. Any financial guarantees and indemnities given by HEFCW must, under paragraph 1 of schedule 1 to the 1992 Act, be necessary or expedient for the purpose of, or in connection with, the discharge of their functions and be covered adequately against un-drawn Assembly Public Expenditure Resources. Schedule 1, paragraph 1(2) of the Further and Higher Education Act 1992 prohibits the Council from borrowing money.

4.1.3 HEFCW shall not make any investments without securing the prior written approval of the sponsor team except in respect of short-term deposits of cash surpluses.

Grants and Loans

4.1.4 All grants and loans must comply with the terms of *Managing Welsh Public Money* and be made subject to appropriate terms and conditions which provide adequate protection for the public purse and guard against the improper use of public funds. Terms and conditions must, for example, allow for phased payments, reinforce rights of access for Welsh Government officials and the Auditor General for

Wales, ensure that Welsh Government's financial interests are adequately protected, and allow for clawback in certain circumstances, eg if grant monies are used other than for approved purposes.

4.1.5 Welsh Ministers annually impose a condition on the funding paid to HEFCW (under section 68 of the 1992 Act and section 88 of the Education Act 2005) permitted by section 27 of the Higher Education Act 2004. This condition requires that HEFCW impose a condition under section 28 of the Higher Education Act 2004 on the funding it allocates to relevant institutions with an approved fee plan in force. This condition is contained in the annual remit letter issued by the Welsh Ministers to HEFCW and is reviewed, and if appropriate, updated annually⁷.

4.2 Funding

4.2.1 All the streams of income mentioned in the following paragraphs ('Income from Exchequer Sources' and 'Income from Non-Exchequer Sources'), shall be treated as public funds and the requirements of this document shall apply equally to them.

Income from Exchequer Sources

Grant-in-aid

4.2.2 The Welsh Ministers may make payments to HEFCW of grant-in-aid. Grant-in-aid shall be paid in monthly instalments, on the basis of an application to the sponsor team. This must be provided in the form of a financial statement as set out in the grant-in-aid drawn-down form and submitted in line with timescales outlined by the sponsor team by a person notified to the sponsor team as authorised to make the application. Grant-in-aid is provided in accordance with any specific terms and conditions of funding contained within this document or communicated separately by the Welsh Government such as the annual remit letter.

Grant Funding for Tuition Fee Grant

4.2.3 Grant funding will normally be made available by the Welsh Government in monthly instalments on the basis of written applications showing evidence of need. HEFCW will provide evidence that the Grant was used for the purposes authorised, shall not have uncommitted Grant funds in hand and shall minimise cash balances between financial years

Other Exchequer Funds

4.2.4 The Welsh Ministers may also make payments to HEFCW under separate grant letters or agreements. These funds will be paid as specified in those letters/agreements or as agreed separately with the sponsor team. Funding must be administered in accordance with any specific terms and conditions contained within

⁷ For the current remit letter, and those from previous years see the Welsh Government Priorities section at www.hefcw.ac.uk

this document or within the grant letter/agreements under which the funds are made available.

Income from Non-Exchequer Sources

4.2.5 HEFCW must seek as far as possible to maximise its receipts from sources other than the Exchequer where this is consistent with its functions and is in line with the operational plan. It may retain receipts up to the level set out in the budget/remit letter that are derived from, for example, proceeds from sale of land and buildings and other assets, grants given by the EU, grants given through lottery funds, any proceeds from HEFCW's commercial activities and those resulting from the sale of services into wider markets. Such activity must be undertaken in accordance with the terms of *Managing Welsh Public Money* and this document.

4.2.6 Proceeds from the disposal of an Exchequer financed asset worth £1 million or more must, however, normally be surrendered to the Welsh Government, unless agreed otherwise. Proceeds derived from the sale of other assets may be retained provided that they are used to finance other capital spending – this being expenditure on new construction, land, extensions or alterations to existing buildings and the purchase of any other discrete asset or collection of assets (eg machinery and plant), including vehicles, having an expected working life of more than one year – and provided that total receipts in the financial year do not exceed the limit set out in the budget/remit letter.

Private funds

4.2.7 Donations, grants for research from non-public organisations, or bequests given to HEFCW are deemed to be private funds and are not covered by the terms of this document. Funds received directly from the Welsh Government, other government departments, agencies and other public organisations or those funded primarily by the tax payer and any proceeds from the HEFCW's commercial interests or activities do not count as private funds.

4.3 Cash Management

Cash Balances

In Year

4.3.1 Cash balances accumulated during the course of the financial year from grant-in-aid or other Exchequer funds must be kept at the minimum level consistent with the efficient operation of HEFCW. If a cash surplus should occur, it must be placed on deposit until it can be used. HEFCW must seek to avoid holding a working balance in excess of the equivalent of 4% of its total annual gross budget when it receives each month's instalment of grant-in-aid or other Exchequer payments. Any funds exceeding that amount held by HEFCW as a working balance at the end of each funding period shall be taken into account in determining the amount of grant-in-aid to be paid in the following period.

End of Year

4.3.2 HEFCW shall be permitted to carry-over from one financial year to the next any drawn but unspent cash balances of up to 2% of its agreed total gross annual budget (ie as set out in the remit letter or other grant letters/agreements and being exclusive of income deemed to be private funds). Any proposal to carry-over sums in excess of this amount must be agreed in writing in advance with the sponsor department on a case by case basis. Any sum carried-over in excess of the agreed amount shall be taken into account in the subsequent year's grant-in-aid.

Managing Receipts

4.3.3 If receipts realised or expected to be realised in the financial year are less than estimated HEFCW must ensure a corresponding reduction in its gross payments so that its authorised provision is not exceeded.

4.3.4 If receipts realised or expected to be realised in the financial year are more than estimated, HEFCW may apply to the sponsor department to retain such excess income for specified additional expenditure.

4.3.5 HEFCW will notify the sponsor division of the actual amount of receipts received at least twice a year.

Virement

4.3.6 HEFCW may reallocate funds between its various budgets as notified by the Minister in the Remit Letter without the sponsor department's prior written agreement provided that:

- no budget is increased or decreased by more than 10 per cent or £100,000 whichever is the lesser amount;
- the reallocation is not between capital, near cash or non-cash budget lines; and
- in aggregate, HEFCW's net payments do not exceed the total approved budget.

4.3.7 Notwithstanding the above, HEFCW's running costs/administration budget may not be increased without the sponsor department's prior written agreement.

Interest Earned on Cash and Bank Balances

4.3.8 All interest, net of any bank charges, earned by HEFCW on its cash and bank balances which arise as a result of funding from the Welsh Government is to be declared each month and shall be surrendered to HM Treasury via the Welsh Consolidated Fund annually.

5. Other Financial requirements

5.1 Risk Management

5.1.1 HEFCW must develop a risk management strategy to ensure that any risks it assumes are dealt in accordance with the relevant aspects of guidance on best practice in corporate governance.

5.1.2 HEFCW must adopt and implement policies and practices to safeguard itself against bribery, fraud and theft.

5.1.3 HEFCW shall take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant or grant-in-aid, depending upon the particular circumstances of the procurement or grant scheme.

5.2 Economy, Efficiency and Effectiveness – appraisal, research and evaluation

5.2.1 In order to ensure value for money, HEFCW must have in place appropriate systems, and the capacity, to ensure that its policies and programmes are evidence based in relation to their development, implementation and evaluation.

5.2.3 It shall review its services and activities on a regular basis and shall set out in its annual business plan the measures being put in place to drive through and maintain efficiencies

5.2.4 HEFCW must also ensure that its approach to carrying out any appraisals and evaluations shall be fully consistent with the principles set out in relevant guidance.

The terms of this Framework Document were approved by:



Signed.....
Director General for Education and Skills

Dated.....04/09/2014.....



Signed.....
Chief Executive of the Higher Education Funding Council for Wales

Dated.....09/09/2014.....

Annex 1

Essentials of Effective Sponsorship

The principles which define the working relationship between a sponsoring team and its sponsored body are set out in the introduction to this Framework Document.

The aims of sponsorship are to:

- Foster a relationship with the sponsored body which is based on mutual trust and respect and open and honest communication.
- Ensure that in formulating its strategic aims and objectives it takes into account those of the Welsh Ministers.
- Provide the sponsored body with the support and guidance it requires or may request to achieve its objectives.
- Encourage and promote high standards of corporate governance and financial accountability within the organisation to ensure its efficient and effective operation.

The functions of WGSB sponsorship that underpin these principal aims are set out in this Framework Document, which defines the relationship between the sponsor team and the WGSB for which it has responsibility. The functions are listed in Appendix A.

Sponsor teams need to strike a balance between control, and allowing WGSBs to operate independently on a day-to-day basis, as was the intention in setting up the bodies as arms length organisations. They need to ensure that the relationship is an effective one, with each partner enabling and supporting the other in the achievement of Ministerial objectives. Sponsor teams and WGSBs also need to make sure that they share information and best practice in a relevant and timely way, and seek out opportunities to work together more effectively.

The following paragraphs attempt to summarise the more important attributes that help to ensure that the sponsorship role can be performed as effectively as possible.

Clear Understanding

Of the corporate governance framework within which WGSBs operate: a good knowledge of how the operational and business planning and annual remit setting process works and links with the Welsh Government's strategic aims and objectives (reflected in the Programme for Government and the sponsoring department's strategic agenda); and group/divisional and branch planning. Ensuring that the WGSB understands the monitoring process and what is expected of them.

Of the financial accountability framework within which both the sponsor team and the WGSB operated: a clear knowledge of the respective roles and obligations set out in the Framework Document; the relevance and importance of

the audit process including management letters and additional assurance reports; the sensitivity of Audit Committee recommendations and their implementation;

The operational role and structure of the WGSB together with an appreciation of the problems it faces or perceives it faces and clear roles, responsibilities and accountabilities between the sponsor team and the WGSB.

Assessment of Risk

A clear and ongoing assessment of the risks involved in the sponsorship relationship and a strategy for dealing with them: for instance risks, specific or generic, arising from the nature of the WGSB's role (eg *differing risks associated with different bodies*). Also, specific risks relating to financial management identified in management letters; a pattern of failure in meeting strategic targets; or identifiable "blind spots" in terms of communication, which may require the sponsor team to take a more hands on role in the oversight of the WGSB.

Effective Communication

A clear structure for formal communication: in respect of data which is of mutual benefit and regular operational and business planning and the formal reporting and monitoring arrangements that fall out of these. This may include sponsorship meetings and meetings between the Chief Executive and members of the sponsor team or Director General, as appropriate, to review performance and discuss cross cutting or arising issues.

A culture of frequent but not intrusive informal communication: is important in helping to build confidence and trust, which in turn can engender openness and a willingness to share and resolve problems at an early stage. This should include informal communication between the Chief Executive and members of the sponsor team or Director General in addition to dialogue between officers. Annual information sharing/networking events should be considered, giving opportunities for policy and delivery colleagues to meet, share best practice and develop working relationships.

There is good senior level involvement: to ensure good strategic direction, and to reflect commitment to the relationship.

Effective internal communication: knowing who to contact within the Welsh Government for advice on issues such as budgeting; propriety; procurement and personnel issues: and a willingness to do so.

Inclusive policy development: an appropriate level of involvement in any policy development should be secured for the WGSB, with regular dialogue and communication continuing throughout the process

Establishing an Authoritative Presence

The sponsorship team should act as the principal access point to the Welsh Government for the WGSB and act as a source of authoritative advice

(even if that advice is acquired from elsewhere). A willingness to take ownership of such advice in communication with the WGSB is vital. Understand the communications you are passing on and be prepared to give advice.

Challenge and Scrutiny: make clear that properly structured and robust questioning of the WGSB is an essential part of the role, in support of public accountability, but this should be at a strategic rather than operational level, to avoid micro-management. Analyse proposals and make informed recommendations to third parties (eg Accounting Officers and Ministers).

Link with Ministers: establish agreement with Ministers on what the WGSB is meant to achieve then advocate its position firmly and with integrity.

Skills

Effective Training: Effective reciprocal induction training and specific effective sponsorship training (jointly with WGSB personnel where possible).

Consideration of the appropriateness of: desk training; short-term acclimatisation job-swaps; secondments or work shadowing; to aid understanding of roles and challenges.

Appendix A

Sponsor Function Set Out In Model Framework Document

- submission of advice to relevant Welsh Ministers and provide briefing for relevant Assembly committees on WGSB matters;
- receive and act on information provided by the WGSB under the framework document;
- check claims for, and if satisfied, authorise payment of grant-in-aid (GIA);
- communicate the Welsh Government's policy to the WGSB and advise on the interpretation of policy;
- advise Ministers on performance targets and indicators that are clear relevant and challenging;
- monitor and review WGSB performance against targets, reporting to Ministers and Assembly Committees as appropriate;
- advise Ministers on expenditure priorities and appropriate levels of GIA;
- monitor WGSBs financial position and performance against plans through regular meetings with and returns from WGSBs; and reporting to Ministers and appropriate Assembly Committees;
- issue guidance to WGSBs.

Annex 2

List Of Government-Wide Corporate Guidance And Instructions

- this document;
- the Minister's annual Remit Letter to the Higher Education Funding Council for Wales;
- Managing Welsh Public Money;
- the Welsh Government Memorandum "Responsibilities of a Welsh Government Sponsored Body (WGSB) Accounting Officer";
- HM Treasury's Consolidation Officer Memorandum;
- HEFCW's Accounts Direction;
- Corporate Governance in Central Government Departments: Code of Good Practice; http://www.hm-treasury.gov.uk/d/corporate_governance_good_practice_july2011.pdf
- HM Treasury's "Public Sector Internal Audit Standards"; <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- HM Treasury's "Managing the Risk of Fraud"; http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf
- HM Treasury's "Executive NDPBs - Annual Reports and Accounts Guidance"; http://www.hm-treasury.gov.uk/d/2012_13_frem_chap05_form_and_content.pdf
http://www.hm-treasury.gov.uk/d/2012_13_frem_full_version.pdf
- HM Treasury's "Departmental Banking: A Manual for Government Departments" (issued as Annex 5.7 of "Managing Public Money"); http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf
- HM Treasury's "Regularity, Propriety and Value for Money" http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf
- HM Treasury's "Green Book – Appraisal and Evaluation in Central Government"; http://www.hm-treasury.gov.uk/d/green_book_complete.pdf
- HM Treasury's Audit Committee Handbook; <http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>
- Cabinet Office's "Magenta Book – Guidance Notes on Policy Evaluation"; http://www.hm-treasury.gov.uk/d/magenta_book_combined.pdf

- http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/the_complete_magenta_book_2007_edition2.pdf
- Cabinet Office's Code of Practice for Public Bodies;
- the UK Evaluation Society's "Guidelines for Good Practice in Evaluation";
- UK Statistics Authority's "Code of Practice for Official Statistics" and its associated protocols; <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>
- Health and Safety Commission/Department for the Environment and the Regions' "Revitalising Health and Safety"; <http://www.hse.gov.uk/revitalising/strategy.pdf>
- extant "Chief Executive Officer" letters and PAO Notes;
- extant "Dear Accounting Officer" letters; http://www.hm-treasury.gov.uk/psr_governance_dao_letters.htm
- extant "Dear Consolidation Officer" letters;
- Management letters from external auditors;
- other relevant instructions and guidance issued by the Welsh Ministers;
- those recommendations of the National Assembly's Public Accounts Committee, other Committees of the National Assembly; the House of Commons Committee on Public Accounts, other Parliamentary Committees or Parliamentary authority that have been accepted by the Welsh Government which are relevant to HEFCW.

In addition, in the conduct of its business HEFCW must ensure, inter alia, that:

- it conforms with the terms of its Welsh Language Scheme;
- its functions are exercised in a manner compatible with the Welsh Ministers' duty to promote and facilitate the use of the Welsh language as set out in the Welsh Government's strategy as published from time to time;
- its functions are exercised with due regard to the principle that there should be equality of opportunity for all people;
- it adopts and maintains a scheme, for the publication of information as required by the Freedom of Information Act;
- its functions are exercised in a manner compatible with the Welsh Minister's duty to promote sustainable development and its guiding principle of promoting social inclusion;
- it complies with its relevant duties under the Equality Act 2010, regulations and other relevant legislation;

- it follows the approach to openness set out in the Welsh Government's Code of Practice on Access to Information;
- it has due regard to the Commissioner for Public Appointment's Code of Practice for Ministerial Appointments to Public Bodies;
- its procurements are effected with due regard to the principles set out in the Welsh Government's Value Wales Procurement Route Planner.

As regards openness, where practicable and appropriate, HEFCW shall be expected to hold its meetings in public. At least one meeting per year must be an open meeting. Where practicable and appropriate, HEFCW shall release summary reports or make minutes of its meetings publicly available.

As regards health, safety and welfare, HEFCW must:

- comply with all relevant statutory duties in respect of health, safety and welfare as they relate to all its functions, projects, programmes and activities;
- require organisations that it funds and any contractors and sub-contractors to those organisations to comply similarly; and
- comply fully with UK Government policy on health, safety and welfare.

ANNEX 3

SUMMARY OF APPROVAL REQUIREMENTS AND DELEGATION LIMITS

Subject	Delegation Limit
Appointment of Chief Executive	Ministerial approval
Certain changes to staff structure (paragraph 3.2.1 refers)	Ministerial approval
Staff remuneration and terms and conditions and annual pay remit for all staff	Ministerial approval
Pension arrangements and payment of redundancy or compensation	Ministerial Approval / Approval of sponsor team
Corporate and Operational Plan	Ministerial approval
Subsidiary companies and joint ventures	Approval of sponsor team
Virement outside of specified limits	Approval of sponsor team
Novel, contentious or repercussive proposals	Approval or sponsor team
Any lending, guarantees, indemnities or investment	Approval of sponsor team
IT projects	Approval of sponsor team for single projects above £100,000
Single tender departures	Approval of sponsor team above £50,000
Retention of receipts over and above limit set out in remit letter	Approval of sponsor team
Carry-over	In-year – 4% of total annual gross budget End-of-year – 2% of total annual gross budget

ANNEX 4

RELATIONS WITH INSTITUTIONS

1. Financial Memoranda

The Council will apply a financial memorandum to each institution it funds for the purposes of regulating their relationship on financial and related matters, setting out the terms and conditions on which payments of grant and grant-in-aid will be made by the Council to the institution. Such memoranda shall be consistent with the responsibilities of the Council under the Further and Higher Education Act 1992 (“the Act”) and this Framework document. The Council will prepare the provisions of such memoranda in the light of such consultation as is required by section 66 of the Act in respect of terms and conditions to be imposed in relation to any grants, loans or other payments, with such bodies representing the interests of relevant institutions as appear to the Council to be concerned, and the governing bodies of higher education institutions which appear to be concerned. Copies of the Memoranda shall be supplied to the Welsh Government.

2. Grant for Institutions

The Welsh Government may notify the Council of the indicative amounts for recurrent and capital spending and may indicate priority areas.

Grant paid for capital purposes (defined as expenditure on the acquisition of lands and buildings, on the erection, enlargement or alteration of buildings, and for the purchase of any other asset, e.g. equipment, furniture, plant and vehicles having an expected life of more than one year) can be used either for direct payment on capital expenditure or for repayment of interest or principal on debt incurred for new capital projects.

Grant-in-aid for transmission to institutions will be paid to the Council in monthly instalments, in accordance with a profile of net monthly expenditure for the whole year agreed with the Welsh Government and submitted on the basis of expected need. The profile may be updated at any time in the year with the agreement of the Council and the Welsh Government. Exceptional ad hoc payments to the Council may also be made, but only on written application by the Council to the Welsh Government and not in any case in advance of the Council's need to make disbursements. In accordance with paragraph 4.1.4 of HEFCW's Framework Document payments to institutions must be made subject to appropriate terms and conditions which provide adequate protection for public funds and safeguard them against improper use.

3. Control of Recurrent Funding

The Council will make payments of recurrent funds to institutions in monthly instalments in accordance with need.

The Council may also make exceptional or ad hoc payments between monthly instalments. However, such payments will be made only after considering a written application from the institution concerned, and shall not be made in advance of the institution's need to make disbursements.

The Council will monitor the financial health and risk of the institutions and, as part of this duty, keep their level of balances under review and be aware of the potential impact of any subsidiary company the institutions may establish. Section 66(2) of the Act requires the Council to have regard to the desirability of not discouraging any institution from maintaining or developing its funding from other sources; and Section 65(4) requires the Council not to impose terms and conditions relating to the application by institutions of any sums derived otherwise than from the Council.

Under section 27 of the Higher Education Act 2004 the Welsh Ministers have imposed a condition on grants to HEFCW, requiring the Council in turn to impose a condition on the financial support given to the governing body of a relevant institution. This condition requires the governing body of each institution to ensure that the fees payable for a course of higher education by a student who is eligible for financial support under the Student Support Regulations do not exceed either the basic amount, or where the institution has in force a fee plan approved by HEFCW, the higher amount. These conditions do not apply to students starting their full-time courses before 1 September 2012. For new students starting full-time courses on or after 1 September 2012, the basic and higher amounts for the 2014/15 Academic Year are prescribed by the Student Fees (Amounts) (Wales) Regulations 2011 (as amended) and are currently £4,000 and £9,000 respectively.

The Council will promote good value for money through its grants to institutions and associated guidance. Guidance will cover the effective and efficient use of resources and assets and any financial requirements issued by the Welsh Ministers in relation to guarding against the improper use of public funds.

4. Payments to Colleges in the Further Education Sector

Where the Council pay grant-in-aid for the provision of prescribed courses of higher education to institutions within the further education sector pursuant to Section 65(2)(c) of the Act, the Council will make payments in monthly instalments in accordance with need. The Council may attach such terms and conditions as it sees fit (but including those required by the Welsh Ministers subject to the limitations of section 68 of the Act) to such payments and shall seek to ensure that any such grant-in-aid is used for the purposes in respect of which the payment is made. The Department for Education and Skills (DfES or Sponsor department) will monitor the financial health of colleges within the further education sector and the Council will rely on this work.

5. Control of Capital Funding

The Council may make payments to institutions in support of specific capital projects determined by DfES and in accordance with any conditions attached to the related funding.

6. Property Acquisition and Disposals of Land and Buildings

The Council's memoranda with institutions shall require institutions to keep their holdings of land and buildings under review, with the objective of rationalising and disposing of those which institutions consider to be no longer needed.

Where the Council, or any of its predecessor bodies (namely the Universities Grants Committee, the Universities Funding Council and the Welsh Office) has financed expenditure on capital assets by a third party, the Council shall make appropriate arrangements to ensure that any such assets above a market value of £25,000 are not disposed of in full or in part by the third party nor cease to be used by the third party for the intended purpose, without the Council's prior consent.

7. Monitoring and Control of Institutional Borrowing

The Council shall make such provision for the monitoring and control of institutional borrowing as seems to it to be necessary to protect the public interest in Exchequer funded assets, to protect the public investment in institutions, to maintain accountability for the use of Council funds and to ensure that the financial viability of an institution is not put at risk.

The Council in particular shall establish effective arrangements for monitoring institutions' borrowing including, where it sees fit, the imposition of a condition to give notice to the Council of any intention to borrow including the intention to secure borrowing on assets acquired with Council funds.

For the purpose of this paragraph "Council funds" means funds derived from the Council or, from the Universities Grants Committee, the Universities Funding Council or the Welsh Government and "Council funded" shall be construed accordingly.

8 Accounts and Financial Management

The Council will require institutions to provide it with audited financial statements in respect of each academic or financial year by a specified date, and may make such requirements as it thinks fit from time to time as to the

information to be contained in the financial statements, the manner in which they are to be presented, and the methods and principles according to which they are to be prepared. The Council shall require that institution's financial statements comply with the relevant Statement of Recommended Practice (SORP), Financial Reporting Standards (FRSs), relevant Statements of Standard Accounting Practice (SSAPs) and relevant International Accounting Standards (IASs) adopted by the Accounting Standards Board and the accounting provisions of the Companies Act (if applicable).

The Council will, in consultation with institutions and the Welsh Government, draw up a Code or Codes of Practice governing institutions' internal and external audit. In addition, the Council will set out clearly such requirements as the Council may have concerning institutions appointments of external auditors, the terms of reference and scope of internal audit, the circulation of reports and the establishment of audit committees.

The Council's requirements of institutions under the preceding two paragraphs shall, in the case of institutions which are conducted by companies limited by guarantee, be subject to the requirements laid on those institutions under the Companies Act(s) in force at the time, together with relevant auditing and financial reporting standards. In such cases, the Council may also require from institutions that they fund any additional information needed for the satisfactory discharge of their functions.