

# Annual Report

2008–09



Our mission is to promote internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely.



### Conventions and abbreviations

Swansea Institute of Higher Education (SIHE) became **Swansea Metropolitan University** during the reporting year, and is referred to in the publication by its new name; and

North East Wales Institute of Higher Education (NEWI) became **Glyndŵr University** in the summer 2008, and is referred to in the publication by its new name.

Financial Year (1 April – 31 March) 2008 – 09

Academic Year (1 August – 31 July) 2008/09

HEIs – Higher education institutions

FECs – Further education colleges

FTE – Full-time equivalent

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### **Notes on Reaching Higher targets:**

Progress towards *Reaching Higher* Targets 2000/01 to 2010/11 – as at September 2009.

In **all the targets** included in this publication, except the spinout target and the overhead costs target, data shown up to 2006/07 are actual data taken from HESA records for UK HEIs and the Lifelong Learning Wales Record (LLWR) (or equivalent) for UK FEIs.

For the **spinout target**, data up to 2005/06 are actual data taken from the HEBCI survey.

For the **overhead costs target**, data up to 2005/06 are actual data taken from the HESA records.

In May 2007, the Welsh Assembly Government amended the Welsh medium target, which now applies to Welsh domiciled students only.

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# HEFCW's mission and aims

## **The Higher Education Funding Council for Wales is an Assembly Government Sponsored Body.**

HEFCW was established by the Further and Higher Education Act 1992. We administer funds from the Welsh Assembly Government for education and research by higher education (HE) institutions in Wales, and certain HE courses at further education colleges. Responsibilities for initial teacher training (ITT), including the accreditation of ITT providers, are covered under the Education (School Teachers' Qualifications) (Wales) Regulations 2004 and the Education Act 2005.

HEFCW's mission is to promote internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely.

Working with partners, we deploy funds from the Welsh Assembly Government and others to:

- **secure** higher education learning and research of the highest quality;
- **make the most of** the contribution of higher education to the culture, society and economy of Wales; and
- **ensure** high quality, accredited teacher training across Wales.

## We are committed to maintaining and upholding **four core higher education values:**

### **1. Scholarship and Learning**

Sustaining a culture which demands disciplined thinking and intellectual integrity, encourages curiosity, challenges existing ideas and generates new ones.

### **2. Lifelong Learning**

Enabling individuals to develop their capabilities to their highest potential throughout life.

### **3. Civic Responsibility**

Playing a major role in encouraging good citizenship and in shaping a democratic, inclusive society founded on respect for the rights of the individual and their responsibilities to society as a whole.

### **4. Sustainability**

Working to ensure that the sector develops structurally in a manner that best supports the delivery of the strategic aims and remains internationally competitive.

## We have seven strategic aims:

### **1. *Reaching Wider***

Delivering wider participation and access in support of social inclusion and economic upskilling.

### **2. The 'Deal for Students'**

Delivering the highest quality learning and related support.

### **3. Research Excellence**

Delivering improved research performance to underpin the knowledge economy and cultural and social renewal.

### **4. Benefiting the Economy and Society**

Delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities.

### **5. Initial Teacher Training**

Delivering newly qualified teachers of high quality.

### **6. Making it work: the Higher Education sector in Wales**

A strong emphasis on reconfiguration, collaboration, and other measures to sustain improved performance of individual institutions and the HE system as a whole.

### **7. Making it work: HEFCW**

Being an effective public sector body by:

- having the capability and infrastructure that enables us to work effectively internally and with all our stakeholders and partners (especially the Welsh Assembly Government and the HE sector in Wales); and
- being an employer of choice.

## Over the year, we:

### 1. *Reaching Wider*

- took forward the evaluation of the outcomes of the review of HEIs' widening access policies
- announced that our national initiative aimed at improving the diversity of students studying at universities in Wales had been given a further three years of funding
- and the Frank Buttle Trust hosted a conference on Supporting Looked After Children and Care Leavers in Higher Education.

### 2. The 'Deal for Students'

- started to review and consulted on our approach to quality enhancement
- contributed to the Welsh Medium Higher Education Sector Group
- announced that universities in Wales would receive a share of £1 million to help them embrace new technology to boost the experience of students in higher education
- continued to implement the remaining actions required under Education for Sustainable Development and Global Citizenship.

### 3. Research Excellence

- provided further information on the next stage of the development of proposed new arrangements for research assessment – the Research Excellence Framework
- approved Reconfiguration and Collaboration Fund support for: the Biosciences and Environment Alliance between Aberystwyth and Bangor Universities; the Wales Institute of Social and Economic Research, Data and Methods; and the Wales Institute of Visual Computing, a 'One Wales' National Research Centre.

### 4. Benefiting the Economy and Society

- appointed SQW Ltd to take forward a study which will provide an objective and robust assessment of progress made by HE institutions in implementing the values and actions on sustainability and global citizenship across an institution
- contributed to the Welsh Assembly Government's consultation exercise on its Skills and Employability Strategy.

### 5. Initial Teacher Training

- continued to work with institutions and the Welsh Assembly Government on reconfiguring the ITT sector in Wales.

### 6. Making it Work: the HE sector in Wales

- announced our Economic Support Initiative, a £2 million fund to encourage Wales's universities to help individuals and businesses weather the economic downturn
- consulted on and developed our framework for a more strategic engagement with the HE sector in Wales
- examined prospective subjects of broader importance to Wales.

### 7. Making it Work: HEFCW

- embarked on a full evaluation of our pay, grading, job evaluation and performance management scheme
- retained our liP accreditation, following further assessment
- developed a single, integrated equality scheme
- carried out the first half of our project to develop a new and effective website for HEFCW.

# Chairman's statement



2008–09 was notable for further changes to the landscape of higher education (HE) in Wales and more widely.

We announced that HE institutions in Wales would receive grant allocations of £433.8 million in the 2009/10 academic year. We hoped the settlement, a real-terms increase on the previous year, would enable institutions to maintain their key role in building a strong knowledge based economy for a post-recession Wales.

Conscious of the growing difficulty within the economy, and aware of the impending fiscal constraints, our Council reviewed all matters coming before it to agree whether they should be treated as 'business as usual', or approached in a new way.

Reconfiguring the sector to increase its efficiency and effectiveness in attracting investment continues to underpin much of our work. Working with the Welsh Assembly Government we approved some major investments, including the Biosciences and Environment Alliance between Aberystwyth and Bangor Universities; the Wales Institute of Social and Economic Research, Data and Methods; and the first 'One Wales' National Research Centre, the Wales Institute of Visual Computing.

More fundamental changes were taking place in west Wales, where the University of Wales, Lampeter, and Trinity University College, Carmarthen, announced their intention to unite to form a new university to serve the needs of Wales and beyond.

The Wales Audit Office reviewed how our Reconfiguration and Collaboration Fund had operated. The report into this question commended successful collaborative projects. However, the report also concluded that the Fund could yield even more results – such as increased savings, research capacity and courses – by encouraging increased collaboration, including with a wider range of partners.

I was pleased to be a member of the Ministerial Task and Finish Group, chaired by Professor Merfyn Jones, which reviewed HE in Wales. The review's recommendations are potentially far-reaching. We await the Welsh Assembly Government's new

policies, and we will work with the Government to develop and then implement the necessary changes to the higher education system in Wales.

We supported the Welsh Assembly Government in its commitment to establish a Welsh Medium Higher Education Network – Coleg Ffederal – for Welsh medium provision in Wales's universities. We will work with the Assembly in carrying out the Minister's eventual decisions in respect of the report from Professor Robin Williams.

The long-awaited results of the 2008 Research Assessment Exercise were released in December 2008. They showed that Wales's HE institutions continue to deliver world-class research and have managed to hold their own within the UK, and underlined their importance to the knowledge economy.

We consulted with the HE sector on a fundamental aspect of how we work – our interaction and dialogue with institutions. Following a recommendation from our stakeholder survey, we developed ways of engaging more strategically with universities to better understand, and be comfortable with, their strategic direction and their sustainability. Our 'strategic dialogue' proposals will also help institutions better understand Welsh Assembly Government and the Council's priorities.

We reviewed the effectiveness of our committee structure to ensure that the expert advice fed into the Council is as effective as possible, and to help us to better manage our policy priorities. Along with a review of committee membership, the Research, Innovation and Engagement; and Student Experience, Teaching and Quality Committees were launched in 2008–09.

Internally, I completed the handover from Professor Sir Roger Williams as Council Chairman. We welcomed new members to the Council, while the terms of others ended, and I am grateful for their valuable contributions over the years.

I wish to thank Council members and all our staff for their support over the year. I look forward to continuing to work with them and with the Welsh Assembly Government to address the challenges ahead.

**Roger Thomas, OBE**

# Chief Executive's statement



In 2008–09, higher education (HE) institutions in Wales continued to contribute effectively economically and socially, while sustaining their performance in providing a satisfactory learning experience for students. We continued to ensure that Welsh HE was represented widely in the UK and Europe, and helped ensure that institutions contributed to developments.

- We signed the Concordat to Support the Career Development of Researchers, which aims to increase the attractiveness and sustainability of research careers in the UK.
- We confirmed that we would continue, with the other UK HE funding bodies, to fund JISC, which leads the UK HE sector in innovatively using digital technologies.
- We confirmed three more years of funding for Wales Higher Education Brussels (WHEB), which is the only Brussels office that specifically represents an entire national HE sector.
- We work with the HE sector to help implement the aims of Education for Sustainable Development and Global Citizenship, strengthening the links between education and sustainability.

Particularly appropriate in the economic climate was the announcement that our GO Wales graduate employability scheme would receive £10 million in Convergence funding. The £17 million scheme would provide nearly 4,000 students and graduates with work placements, and would offer opportunities, including the Graduate Academy, to encourage individuals to use their knowledge, skills and innovative potential in the Welsh economy.

We also launched the £2 million Economic Support Initiative, designed to encourage universities to help individuals and businesses weather the economic downturn. It would encourage HE institutions to play their part in improving the employment prospects of recent graduates, and those recently unemployed or facing redundancy.

The results of the 2008 National Student Survey showed consistently high levels of satisfaction with courses in Wales. Our results were, overall, similar to those for the UK as a whole, with a high percentage of students in Wales particularly expressing satisfaction that staff were good at explaining (88%), and that they could access general

IT resources when needed (89%). As the results also showed that more needed to be done with assessment and feedback, this was identified as a key area of work for the Higher Education Academy.

Welsh universities also performed well in the annual survey showing how HE institutions work with and generate business. 2007/08 figures showed that Welsh universities again achieved more than their expected share over a range of economic indicators, including new business start-ups by both HE staff and students.

In June 2009, the Welsh Assembly Government announced we will administer funds for the University of the Heads of the Valleys project, which aims to transform the performance and prospects of one of the UK's lowest skill level areas. The University of Glamorgan and the University of Wales, Newport will work with the further education sector, local authorities, the Welsh Assembly Government and us to build a permanent HE base in the Heads of the Valleys from Ebbw Vale to Merthyr Tydfil.

We are cautiously optimistic about the HE sector's performance against most of the targets in *Reaching Higher*, as the Welsh Assembly Government's ten-year strategy for HE nears the end of its current phase. We are continually reviewing our funding streams to ensure that institutions get the best possible support to continue to perform against the targets through the recession. While we were pleased with the outcomes of our first ever stakeholder survey in 2007, during 2008–09 we responded to some of the concerns that the survey raised. We devised a plan that would help us: define and let stakeholders understand our role; improve communications; and enhance our interaction with institutions. This meant overhauling our website and producing proposals on a new 'strategic dialogue' process with universities.

This report includes a summary of the operational plan activities which the Welsh Assembly Government required us to carry out within the reporting period. We have accomplished most of them, and are making good progress with the rest. I would like to thank our dedicated and professional staff for their work over the year, and for all their achievements.

**Professor Philip Gummatt**

# The HE sector in Wales – funding

## Formula funding allocations 2008/09

Institution	Total Formula Funding for Teaching	Research (QR) & (RIF)	Third Mission Fund Allocations	PGR	Grand Total
	£	£	£	£	£
University of Glamorgan	49,376,027	1,962,510	1,012,471	354,008	52,705,016
Aberystwyth University	25,067,363	6,259,306	482,818	408,805	32,218,292
Bangor University	23,487,074	8,920,659	630,251	580,806	33,618,790
Cardiff University	69,028,509	41,761,208	1,269,770	3,015,657	115,075,144
University of Wales, Lampeter	4,863,852	1,375,827	159,697	93,951	6,493,327
Swansea University	28,207,821	9,005,983	1,236,695	952,722	39,403,221
University of Wales Institute, Cardiff	25,642,845	1,270,443	466,459	68,714	27,448,461
University of Wales, Newport	18,905,598	448,170	252,819	25,508	19,632,095
Glyndŵr University	15,124,015	120,202	218,048	6,743	15,469,008
Swansea Metropolitan University	14,832,560	81,218	200,904	6,020	15,120,702
Trinity University College Carmarthen	5,699,321	0	156,080	0	5,855,401
University of Wales Registry	0	246,322	0	0	246,322
Coleg Sir Gâr	1,129,454	0		0	1,129,454
Coleg Llandrillo Cymru	1,305,900	0		0	1,305,900
Swansea College	48,899	0		0	48,899
Neath Port Talbot College	118,306	0		0	118,306
Bridgend College	73,523	0		0	73,523
Coleg Menai	44,023	0		0	44,023
<b>Total</b>	<b>282,955,093</b>	<b>71,451,847</b>	<b>6,086,012</b>	<b>5,512,931</b>	<b>366,005,883</b>

\*Figures may not sum exactly to totals due to rounding

### Our grant from the Welsh Assembly Government

We receive our grant from the Welsh Assembly Government on a financial year (FY) basis (1 April to 31 March), but allocate most of our funding on an academic year (AY) basis (1 August to 31 July).

We announced grant allocations of more than £432 million for higher education in Academic Year 2008/09 and an additional £23.6 million in Financial Year 2008–2009.

#### This included:

- Recurrent programme funds of **£408.2 million**;
- Above baseline funding of **£27.32 million** to support *Reaching Higher* objectives;
- Capital funds of **£23.745 million**; and
- Open University programme funds of **£7.46 million**.

### Formula funding allocations for the academic year 2008/09

This settlement let us allocate **£366 million** in formula grant to the sector for teaching, third mission, research and postgraduate research training.

The average increase for formula funding allocations for higher education institutions (HEIs) on their 2007/08 grants was 2.49% in cash terms.

#### Premium funding

We made 'premium', or extra, payments for widening access, disabled and Welsh medium students. We allocated an additional £220 per eligible student for widening access and continued to pay the additional premium, also set at £220, per eligible student from Communities First areas. We distributed £5.57 million through the combined widening access premiums.

HEIs received an additional £220 per eligible disabled student, taking funding in this area to more than £0.813 million. Roughly £1.45 million was distributed through Welsh medium premium allocations.

#### Research

We maintained the level of support through our £4.1 million Research Investment Fund, which is used to bring on emerging research, enhance existing areas of strength or reshape institutions' research portfolios.

## Formula funding allocations in AY 2008/09

**£283 million** for teaching

**£71.5 million** for research

**£5.5 million** for postgraduate research training

**£6.1 million** for third mission

**£7.46 million** for the Open University in Wales

### Above baseline *Reaching Higher* funding

Above baseline funding under the Welsh Assembly Government's 10-year strategy *Reaching Higher* provided £27.297 million to support reconfiguration and collaboration in the sector, including £2.055 million being allocated to widen access and a further £6.59 million being earmarked for *Reaching Higher* capital funding.

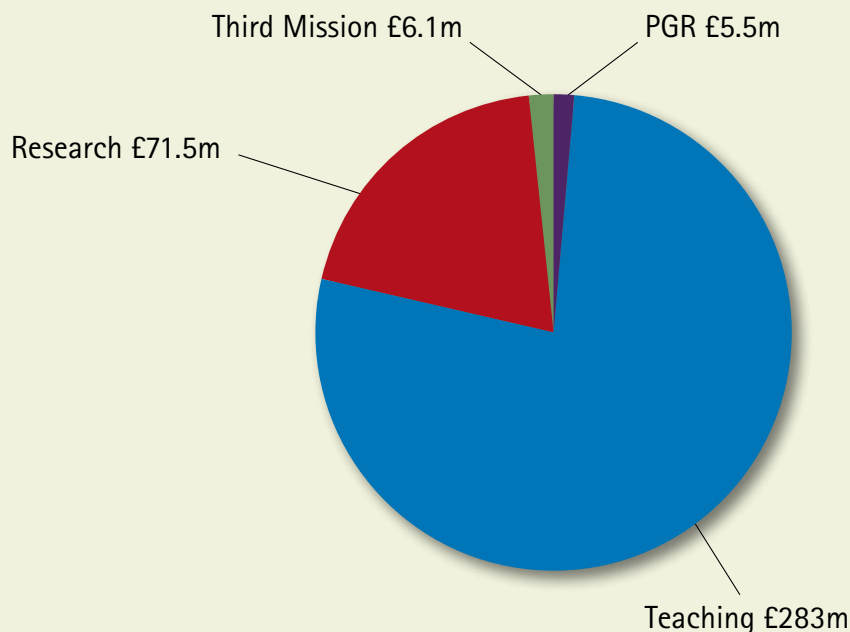
## Non-formula funding allocations for the academic year 2008/09

Non-formula funding included support for students, initial teacher training and learning and teaching.

### Joint initiatives

We contributed towards a number of joint initiatives such as the Joint Information Systems Committee which provides the joint academic network, with our partner UK funding bodies.

### Formula funding allocation totals 2008/09



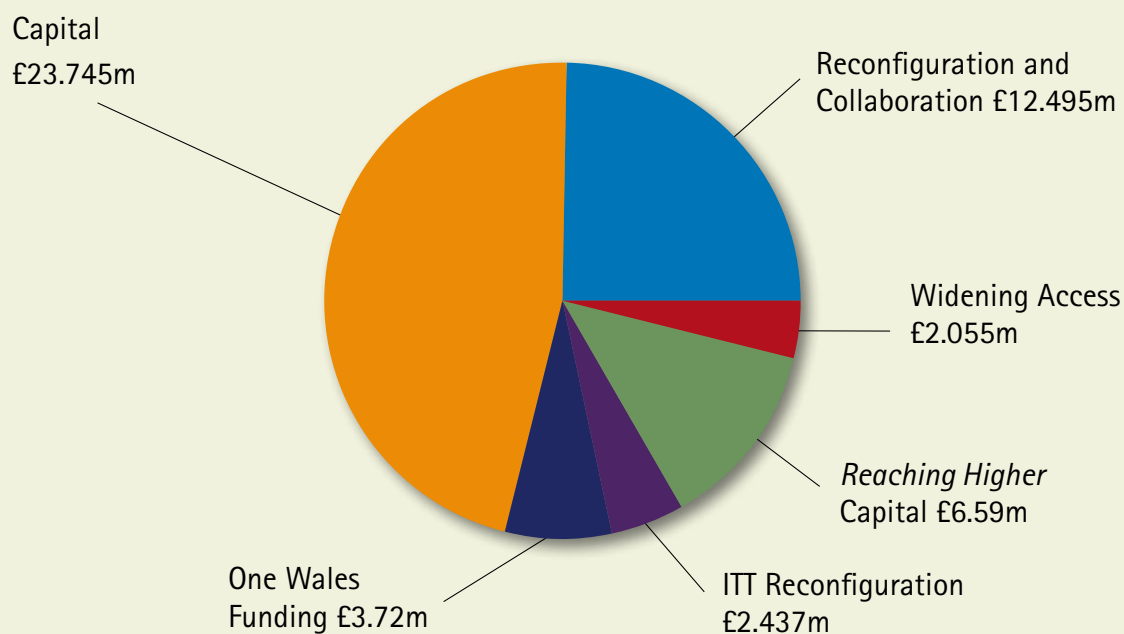
# Higher Education Funding Council For Wales grant 2008/09

Baseline	
Recurrent	2008/09 (£)
<b>Grant for teaching</b>	
Main formula grant	270,484,181
Per capita	4,636,002
Widening access premium	5,573,210
Welsh Medium premium	1,449,016
Disabilities premium	812,680
Graham Part-time Funding	6,400,000
OU Recurrent	7,461,000
Strategic Funded Credits	
	<b>Total</b>
	<b>296,816,089</b>
<b>Grant for research</b>	
RAE Quality based grant	67,310,889
PGR	5,512,932
<i>Initiatives – Wales</i>	
Research Investment Fund	4,140,959
UW Board of Celtic Studies	158,399
UW Press	130,091
<i>Initiatives – UK</i>	
Overseas Research Students Awards Scheme (ORSAS)	387,591
Research Support Libraries Programme (RSLP)	
Research Libraries Network (RLN)	131,300
	<b>Total</b>
	<b>77,772,161</b>
<b>Strategy and initiatives</b>	
Joint Procurement Policy and Strategy Group (JPPSG)	
Strategy and Initiatives	24,023,035
CEO Miscellaneous Fund Balance	263,409
	<b>Total</b>
	<b>24,286,444</b>
<b>Third mission</b>	
GO Wales	2,677,527
Spin Out	240,000
Third Mission Fund	6,393,173
	<b>Total</b>
	<b>9,310,700</b>

	<b>Recurrent Total</b>	<b>408,185,394</b>
<b>Capital (allocation on FY basis translated to AY)</b>		
Research		10,762,000
Teaching		12,983,000
	<b>Total</b>	<b>431,930,394</b>

Above baseline	
Welsh Assembly Government HE Strategy Funding Financial Year	
2008-09	
Reconfiguration and Collaboration	12,495,000
Widening Access	2,055,000
<i>Reaching Higher Capital</i>	6,590,000
ITT Reconfiguration	2,437,500
One Wales Commitments	3,720,000
	<b>Total</b>
	<b>27,297,500</b>

### Other financial year allocations 2008/09



# The HE sector in Wales – enrolments

## Enrolments by institution, level and mode 2008/09

	Undergraduate degree		Undergraduate non-degree		Undergraduate (UG)		
	Full-time	Sandwich	Full-time	Sandwich	Part-time (excl. FO)	Part-time (FO)	
The Open University in Wales	0	0	0	0	4,806	0	
University of Wales, Newport	2,904	0	271	0	2,136	1,519	
Glyndŵr University	2,332	0	277	0	3,650	539	
University of Wales Institute, Cardiff	5,985	56	604	1	765	67	
University of Glamorgan	9,372	71	1,648	0	4,257	1,868	
Swansea Metropolitan University	2,552	0	323	0	1,436	0	
Trinity University College Carmarthen	1,052	0	0	0	699	0	
University of Wales, Lampeter	1,062	0	78	0	2,113	7	
Aberystwyth University	5,814	59	113	21	2,001	37	
Bangor University	5,941	24	114	0	1,089	48	
Cardiff University	15,671	301	95	0	4,926	0	
Swansea University	9,023	47	126	0	1,984	0	
Bridgend College	0	0	30	0	1	0	
Coleg Sir Gâr	222	0	0	0	85	0	
Coleg Llandrillo	111	0	203	0	391	0	
Swansea College	0	0	4	0	5	0	
Coleg Menai	0	0	0	0	10	0	
Neath Port Talbot College	0	0	21	0	49	0	
<b>Total</b>	<b>62,040</b>	<b>558</b>	<b>3,906</b>	<b>22</b>	<b>30,403</b>	<b>4,085</b>	

Source: End of Year Monitoring of Higher Education Enrolments (EYM) 2008/09

Notes: (1) Sandwich students counted as 1

(2) Includes fundable, non-fundable, overseas and island enrolments

(3) Franchised out includes part-time undergraduate only

(4) Part-time Undergraduate includes degree and non degree

(5) Figures may not sum to totals due to rounding

Postgraduate Taught			Postgraduate Research			Total
Full-time	Sandwich	Part-time	Full-time	Sandwich	Part-time	
0	0	344	0	0	0	5,150
412	0	1,086	27	0	24	8,379
421	0	332	38	0	32	7,621
799	0	487	130	0	114	9,008
1,205	0	1,701	177	0	242	20,540
413	0	611	16	0	48	5,399
104	0	80	0	0	0	1,935
568	0	563	86	0	111	4,588
516	0	740	215	0	79	9,595
801	0	822	426	0	136	9,400
2,170	0	2,949	1,237	0	240	27,589
776	0	609	449	0	127	13,141
0	0	0	0	0	0	31
0	0	0	0	0	0	307
0	0	0	0	0	0	705
0	0	0	0	0	0	9
0	0	0	0	0	0	10
0	0	0	0	0	0	70
<b>8,184</b>	<b>0</b>	<b>10,324</b>	<b>2,801</b>	<b>0</b>	<b>1,153</b>	<b>123,476</b>

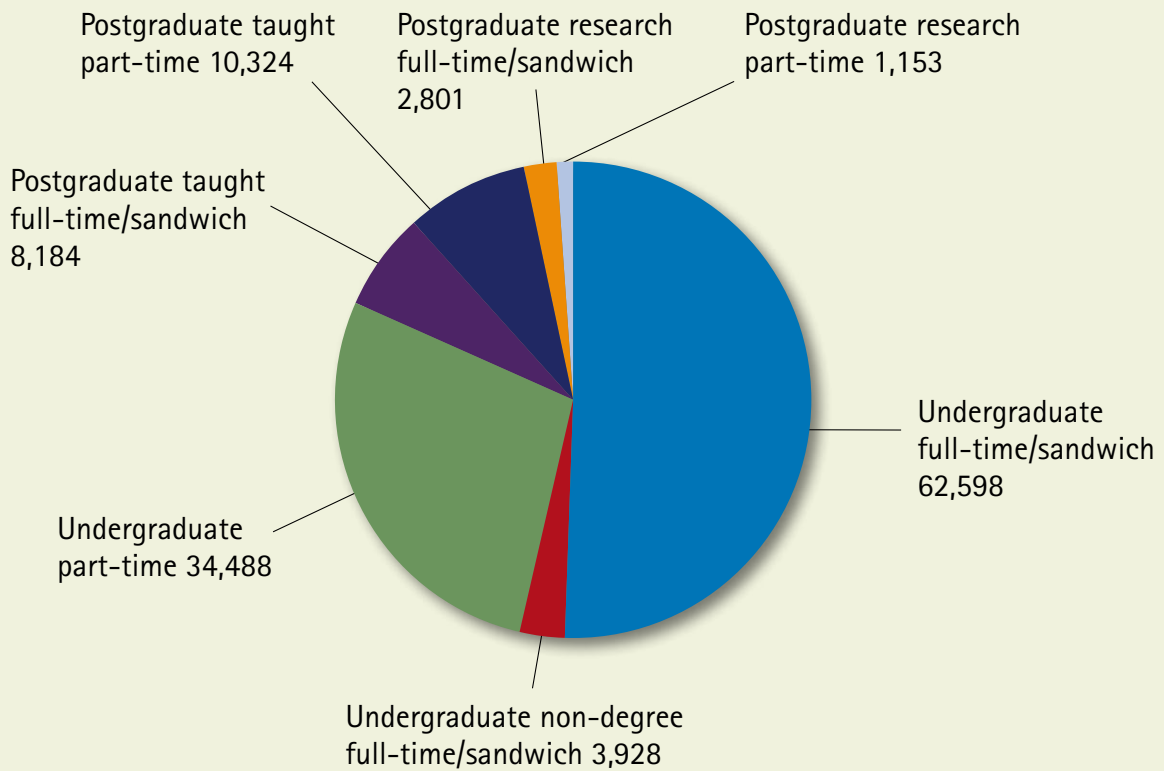
## Enrolments by fee status, level and mode 2008/09

		Full-time Enrolments	Sandwich Enrolments	Part-time Enrolments	Total Enrolments
<b>Home &amp; EC fundable</b>	Undergraduate	52,858	527	32,029	85,414
	Undergraduate non-degree	3,310	22	0	3,332
	Postgraduate taught	3,720	0	8,581	12,301
	Postgraduate research	1,747	0	822	2,569
	<b>Total</b>	<b>61,635</b>	<b>549</b>	<b>41,432</b>	<b>103,615</b>
<b>Home &amp; EC non-fundable</b>	Undergraduate	5,129	0	1,540	6,669
	Undergraduate non-degree	275	0	0	275
	Postgraduate taught	241	0	540	781
	Postgraduate research	103	0	193	296
	<b>Total</b>	<b>5,748</b>	<b>0</b>	<b>2,273</b>	<b>8,021</b>
<b>Overseas (includes Channel Islands and Isle of Man)</b>	Undergraduate	4,053	31	919	5,003
	Undergraduate non-degree	321	0	0	321
	Postgraduate taught	4,223	0	1,203	5,426
	Postgraduate research	952	0	138	1,090
	<b>Total</b>	<b>9,549</b>	<b>31</b>	<b>2,260</b>	<b>11,840</b>
<b>Total</b>	<b>76,931</b>	<b>580</b>	<b>45,965</b>	<b>123,476</b>	

### 2008/09 Enrolments by level and mode

Undergraduate	Full-time/Sandwich	62,598
Undergraduate non-degree	Full-time/Sandwich	3,928
Undergraduate	Part-time	34,488
Postgraduate taught	Full-time/Sandwich	8,184
	Part-time	10,324
Postgraduate research	Full-time/Sandwich	2,801
	Part-time	1,153

## Enrolments by level and mode



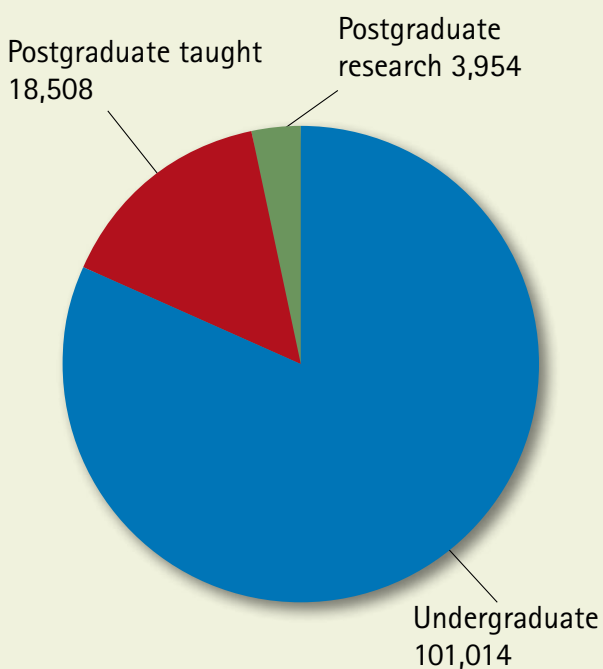
### 2008/09 Enrolments by level

Undergraduate	101,014
Postgraduate taught	18,508
Postgraduate research	3,954

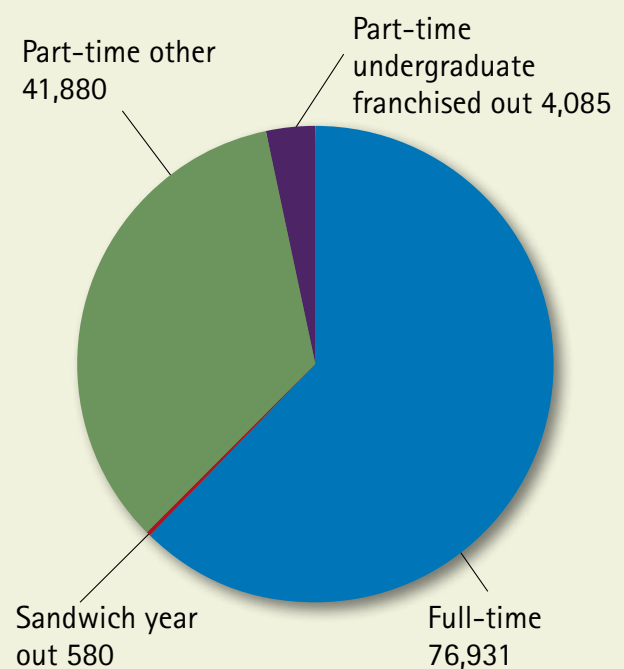
### 2008/09 Enrolments by mode

Full-time	76,931
Sandwich	580
PT UG Franchised Out	4,085
PT Other	41,880

### Enrolments by level



### Enrolments by mode



# Reaching Wider

## **Widening access to higher education in support of social inclusion and economic upskilling is a major Welsh Assembly Government priority.**

Higher education institutions (HEIs) run schemes to encourage people of all ages to improve their skills and participate in higher education (HE) whatever their background. We provide additional funding to recognise the additional costs that can be incurred if some potential university applicants might need additional support, skills development or confidence-building before they consider embarking on a HE course.

We support HEIs in responding to the needs and circumstances of a diverse student body. Our *Reaching Wider* initiative runs programmes for target groups traditionally under-represented in HE: people from Communities First<sup>1</sup> areas, black and minority ethnic (BME) groups, disabled people, and those who wish to study through the medium of Welsh.

### **Our aims**

- To increase access to HE for those with the potential to benefit from it by encouraging institutions to consider applications from all communities, and to ensure that retention rates compare favourably with the rest of the UK.
- To promote co-ordinated widening access activities and share good practice across Wales through working with the HE sector.
- To encourage looked-after children and care leavers to consider opportunities in higher education.

### **What we do**

- We fund higher education institutions to produce strategies to widen access to HE and increase provision for disabled students.
- Widening access is one of our priority areas for distributing our core funding more strategically because there are additional costs in recruiting and retaining students from backgrounds where there is little tradition of participating in higher education.

- We provide additional – 'premium' – funding to institutions for recruiting students from Communities First areas, students with non-traditional qualifications and those who receive a disabled students' allowance.
- Our Student Experience, Teaching and Quality Committee advises our Council on policy, with members from across the HE sector in Wales.
- Our *Reaching Wider* initiative supports four regional higher education and further education partnerships, which provide interactive programmes to widen access, encourage regionally co-ordinated activities and share good practice.
- HEFCW funds teaching on the basis of credit to support flexible learning in higher education institutions. The Credit and Qualifications Framework for Wales (CQFW), operated by the Welsh Assembly Government, is designed to offer learners greater flexibility in the way they study and aid progression between further and higher education.

### **In 2008-09**

- HEIs received approximately £2 million for the *Reaching Wider* initiative, £1.8 million to implement widening strategies, £5.49 million for widening access premium funding (including targeted funding for Communities First students and students with non-traditional qualifications) and £783,420 for disabled students.
- We took forward the evaluation of the outcomes of the review of HEIs' widening access policies, including supporting them to improve data collection and their work with looked after children and care leavers.
- UK-wide figures – performance indicators – published in June 2008 showed that higher education institutions in Wales continued with their success in recruiting students from under-represented groups. The figures, for the academic year 2006/07, showed that Welsh universities and colleges continued to recruit higher proportions of young, full time undergraduate

students from state schools, lower socio-economic groups and neighbourhoods with low participation in HE than the UK as a whole. The figures also showed that the proportion of part-time undergraduate entrants with no previous experience of HE and who were from a low participation neighbourhood was the highest in the UK.

- The Welsh Assembly Government's Education Minister provided the keynote address at our *Widening access to lifelong learning* conference in June 2008. The event, jointly hosted by HEFCW, UALL Cymru (Universities Association of Lifelong Learning Wales) and NIACE Dysgu Cymru (National Institute of Adult Continuing Education) considered many HE-related themes around widening access policy and practice, to inform future policy implementation and to share best practice.
- We announced that our national initiative aimed at improving the diversity of students studying at universities in Wales had been given a further three years of funding. *Reaching Wider*, funded by the Welsh Assembly Government, comprises university, college, school and other organisations in Wales working together to raise aspirations and achievement among learners in

the most disadvantaged communities and from communities traditionally under-represented in HE. The Welsh Assembly Government has allocated £4 million for the next two academic years 2008/10 with a commitment to additional funding in 2010/11.

- Following the outcomes of the Independent Review of Part Time Higher Education Study in Wales (the Graham Review), in June 2008 we confirmed additional support for part-time students in 2008/09. We would allocate £6.4 million on receipt of presented acceptable plans from HEIs outlining how they intended to widen access and strengthen provision within institutions, and strengthen employer links.
- HEFCW and the Frank Buttle Trust hosted a conference on *Supporting Looked After Children and Care Leavers in Higher Education*, where the Welsh Assembly Government's Education Minister paid tribute to the work and commitment of Welsh universities and colleges. By 2008-09, six Welsh universities and one further education college had already been awarded The Frank Buttle Trust Quality Mark for Care Leavers in Higher Education.

## Performance against remit letter tasks

Action	Outcome
To establish plans for our contribution to the One Wales Commitment of widening participation for all ages in FE and HE, taking account of the proposed refresh of the Welsh Assembly Government's <i>Reaching Higher</i> strategy for higher education, including the <i>Reaching Wider</i> initiative.	<b>Awaiting outcome.</b> The October 2008 Widening Access Committee discussed the possible widening access implications of a refreshed <i>Reaching Higher</i> strategy, and its views helped to shape HEFCW evidence to the Merfyn Jones review of higher education in Wales.
To identify specific actions and set up pilot projects to develop, for learners, opportunities for flexible provision, improve quality and reduce barriers to study.	<b>Ongoing.</b> We continue to oversee the establishment and implementation of a range of projects by the sector via the <i>Reaching Wider</i> initiative.

<sup>1</sup> The Community First areas correspond to the 100 most deprived electoral divisions according to the Welsh Index of Multiple Deprivation.

## Widening access

The percentage of all **Welsh domiciled undergraduate new entrants to HE** courses at UK HEIs or FEIs who are **domiciled in the Welsh Community First areas** to rise from **8.9% in 2000/01** to **11.4% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	2,733	26,848	10.2%	3,036	27,857	10.9%	3,408	28,903	11.8%
UK HEIs and FEIs*	3,484	39,056	8.9%	4,053	42,181	9.6%	4,364	43,077	10.1%
Lowest/highest (Welsh HEIs):	2.0% – 15.8%			2.2% – 16.4%			2.6% – 17.4%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,401	29,577	11.5%	3,448	29,687	11.6%	3,325	28,937	11.5%
UK HEIs and FEIs*	4,450	44,300	10.0%	4,351	42,589	10.2%	4,244	42,912	9.9%
Lowest/highest (Welsh HEIs):	4.2% – 16.0%			3.3% – 16.0%			2.8% – 15.6%		

	2006/07			2007/08		
	Number	Total	%	Number	Total	%
Welsh HEIs	3,618	30,197	12.0%	3,467	30,031	11.5%
UK HEIs and FEIs*	4,573	43,518	10.5%	4,292	42,825	10.5%
Lowest/highest (Welsh HEIs):	3.6% – 17.4%			3.9% – 15.8%		

The Community First areas correspond to the 100 most deprived electoral divisions according to the Welsh Index of Multiple Deprivation. Students domiciled within the Community First areas are those whose home postcode lies within these divisions.

The percentage of students domiciled in the Community First areas is out of Welsh domiciled students at the institution with known wards.

Welsh domiciled students are taken to be those with a Welsh home postcode.

All modes of study are included.

In 2003/04, one institution had a large proportion of unmappable postcodes (16%) and this may have affected the percentage domiciled in the Welsh Community First areas.

\*The UK figures for 2001/02 and 2002/03 previously included data for UK further education institutions (FEIs) from 2000/01 as an estimate. The figures presented here include actual UK FEIs data for 2000/01 to 2005/06.

Data for English FEIs in 2006/07 has been substituted by data for 2005/06 due to data quality concerns.

A new HESA student record was introduced in 2007/08, therefore any comparisons to earlier years should be made with care.

# The 'Deal for Students'

**We help Wales's higher education institutions (HEIs) to support excellent teaching for a high quality student experience.**

We are responsible for ensuring that the quality of funded provision in HEIs is assessed, and for helping the higher education (HE) sector in Wales reach its target for 7% of students who live in Wales taking some part of their HE course through the Welsh language.

## Our aims

- A HE sector in Wales which compares favourably with the rest of the UK and overseas in providing high quality learning and teaching.

## What we do

- We fund institutions to implement their learning and teaching strategies and encourage them to share good practice.
- We work closely with the Quality Assurance Agency for Higher Education (QAA) to monitor institutional actions in ensuring the quality and standards of their awards.
- We work with the Higher Education Academy to enhance quality and standards in institutions.
- We work with the UK HE Europe Unit on European Union opportunities for HEIs in Wales, and with the Wales International Consortium on international issues.
- We provide funding for HEIs to maintain and develop Welsh medium courses and we support the Centre for Welsh Medium Higher Education.
- Our Student Experience, Teaching and Quality Committee advises our Council on policy issues in this area and includes members from the HE sector in Wales.
- We work with the Sector Skills Councils to respond to issues of employer engagement, with a focus on higher level skills.
- We fund the graduate employability scheme GO Wales.

## In 2008–09

- We started to review and consulted on our approach to quality enhancement.
- We contributed to the Welsh Medium Higher Education Sector Group, which has representatives from all HE institutions, and provided funding through the Centre for Welsh Medium Higher Education to support the National Development Plan for Welsh medium higher education. The plan covers all aspects which influence supply and demand for Welsh medium provision, including developing new provision, marketing, increasing staff capacity through scholarship and fellowship schemes and staff development.
- We contributed to the work of the Welsh Medium Coleg Ffederal Planning Board, established by the Education Minister in line with the One Wales commitment and chaired by Professor Robin Williams.
- The Welsh Assembly Government's Education Minister confirmed a further £17 million for GO Wales over three years, including more than £10 million of EU Convergence funding. Run by HEFCW, GO Wales helps graduates get the best start to their career. The scheme gives students and graduates training and development opportunities to prepare them for the business world, and gives SMEs and other organisations access to higher level skills to boost their business activities.
- We gave £250,000 towards the development of new Masters level conversion courses in food science technology. Aimed at science graduates, the courses were designed to boost the numbers of qualified food scientists working in Wales's food manufacturing industry.
- We confirmed a further three years of funding over the next three academic years to retain Wales Higher Education Brussels, which promotes the interests of the Welsh higher education sector in Europe, to help ensure that the Welsh HE sector's position and interests continue to be promoted and strengthened in Europe until at least 2010/11.

- We confirmed that just over £1 million would be available to support institutions' learning and teaching strategies.
- In September 2008, we announced that, following a review, we would continue our financial contribution to the Wales International Consortium (WIC) for a further three years. We hosted the UK HE Europe Unit's High Level Policy Forum meeting in November 2008.
- We announced that universities in Wales would receive a share of £1 million to help them embrace new technology to boost the experience of students in higher education. The strategy aims to mainstream the use of technology in learning and teaching practices, leading to more flexible and accessible courses to meet the needs of an increasingly diverse student body.
- We continued to implement the remaining actions required under Education for Sustainable Development and Global Citizenship (ESDGC) – A Strategy for Action. This included each HE institution completing a curriculum audit to identify the frequency and extent that ESDGC is referenced within their undergraduate curricula. We also completed a review of best practice which provides guidance on what has been achieved to date, and considers this both within a UK and international context.
- We announced that we would phase out ORSAS (Overseas Research Students Awards Scheme) in Wales from 2009/10, with no further funding for new awards after October 2008.
- The National Student Survey results for Wales were similar to the results for the UK. A high percentage of students in the 2008 survey in Wales expressed satisfaction that staff were good at explaining things (88%) and that they had been able to access general IT resources when they needed to (89%). As the lowest levels of satisfaction were once more in assessment and feedback, these have been identified as key areas of work for the Higher Education Academy.

Performance against remit letter tasks	
Action	Outcome
To work closely with the higher education sector to take forward required actions in the light of the Welsh Assembly Government's Skills and Employment strategy (STWFW) post- the Leitch review of skills ( <i>Prosperity for all in the global economy – world class skills</i> ), and the Independent Review of the Mission and Purpose of Further Education in Wales (Webb Review).	<b>Achieved.</b> Having contributed fully to final STWFW strategy, constructive engagement is underway with the Welsh Assembly Government's Department for Children, Education, Lifelong Learning and Skills while we await further guidance following the publication of the Jones review of higher education's final report. The STWFW agenda was drawn to the attention of our new Research, Innovation and Engagement Committee at its first meeting in April 09.
To work with the sector to embed the Welsh medium strategic framework and national development plan in support of the Welsh Assembly Government's commitment to a Welsh Medium Higher Education Network.	<b>Ongoing.</b> Work is also being undertaken to support the Coleg Ffederal Planning Board (CFfPB), established by the Welsh Assembly Government's Minister for Education. Work to embed the development plan has continued alongside the CFfPB and much has been achieved.
To establish plans for higher education (HE) contribution to a national Welsh medium strategy.	<b>Ongoing.</b> HE is represented on the Steering Group by the Director of the Centre for Welsh Medium Higher Education. Actions arising will be influenced by the outcomes of the Coleg Ffederal Board Report. Although HEFCW was not involved in the early stages, we had an opportunity to comment on a draft in February 2009 but there has been no further action because Welsh Assembly Government has not yet completed and published the strategy.

## Welsh Medium

The proportion of **Welsh domiciled HE students** in Welsh HEIs and FEIs undertaking **some element of their course** through the medium of **Welsh** to increase from **5.3% in 2000/01** to **7% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,473	63,681	5.5%	3,205	67,792	4.7%	3,412	71,301	4.8%
UK HEIs and FEIs	3,495	65,800	5.3%	3,246	69,993	4.6%	3,412	72,436	4.7%
Lowest/highest (Welsh HEIs):	0.0% – 38.0%			0.0% – 27.7%			0.0% – 22.3%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,523	72,315	4.9%	3,404	74,118	4.6%	3,625	73,539	4.9%
UK HEIs and FEIs	3,540	73,415	4.8%	3,421	75,083	4.6%	3,647	74,751	4.9%
Lowest/highest (Welsh HEIs):	0.0% – 33.7%			0.0% – 41.3%			0.3% – 38.6%		

	2006/07			2007/08		
	Number	Total	%	Number	Total	%
Welsh HEIs	3,778	74,415	5.1%	3,916	72,080	5.4%
UK HEIs and FEIs	3,824	75,968	5.0%	3,977	73,418	5.4%
Lowest/highest (Welsh HEIs):	0.3% – 40.0%			0.1 – 52.5%		

Students are counted as having some element of their course through the medium of Welsh if they are flagged as taking a module that is available wholly or partly through the medium of Welsh or if any of the modules they are taking has a greater than zero percentage of provision through the medium of Welsh. Courses in Welsh language and literature are included.

All modes of study are included.

For 2007/08 only, a small number of adjustments were made to the Welsh medium data using corrections provided by institutions.

A new HESA student record was introduced in 2007/08, therefore any comparisons to earlier years should be made with care.

## Wales as destination of first choice

The proportion of all **Welsh domiciled full-time HE students** enrolled at UK HEIs who are **studying at HEIs in Wales** to increase from **60.1% in 2000/01** to **70% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
<b>Welsh HEIs</b>	31,772	67,742	46.9%	33,729	68,669	49.1%	34,917	71,506	48.8%
Lowest/highest (Welsh HEIs):	29.5% – 84.7%			30.8% – 85.8%			28.1% – 87.3%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
<b>Welsh HEIs</b>	35,816	73,695	48.6%	36,028	75,462	47.7%	36,053	76,520	47.1%
Lowest/highest (Welsh HEIs):	27.9% – 86.6%			27.5% – 85.0%			27.7% – 82.8%		

	2006/07			2007/08		
	Number	Total	%	Number	Total	%
<b>Welsh HEIs</b>	37,930	79,413	47.8%	38,679	80,881	47.8%
Lowest/highest (Welsh HEIs):	27.7% – 83.7%			23.6% – 83.5%		

Proportion of **Welsh domiciled full-time HE students** enrolled at UK HEIs who are **studying in Welsh HEIs**:

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
<b>Total UK HEIs</b>	31,772	52,882	60.1%	33,729	54,442	62.0%	34,917	55,747	62.6%

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
<b>Total UK HEIs</b>	35,816	57,204	62.6%	36,028	57,165	63.0%	36,053	57,145	63.1%

	2006/07			2007/08		
	Number	Total	%	Number	Total	%
<b>Total UK HEIs</b>	37,930	58,188	65.2%	38,679	58,186	66.5%

Welsh domiciled students are taken to be those with a Welsh home postcode. Full-time and sandwich modes of study are included. A new HESA student record was introduced in 2007/08, therefore any comparisons to earlier years should be made with care.

## Overseas students

**The percentage change** in the number of overseas students attending HE courses in Welsh HEIs to be **equal to, or greater than**, the comparable figure for UK HEIs (excluding London and the SE) by 2010/11.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	5,322	109,765	4.8%	5,878	114,387	5.1%	7,250	121,156	6.0%
UK HEIs (excl London and SE)	98,381	1,366,391	7.2%	108,496	1,430,036	7.6%	131,358	1,489,600	8.8%
Lowest/highest (Welsh HEIs):	0.5% – 9.5%			0.6% – 10.1%			1.2% – 11.2%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	8,345	124,221	6.7%	9,644	129,231	7.5%	10,779	131,842	8.2%
UK HEIs (excl London and SE)	149,805	1,548,260	9.7%	154,168	1,576,133	9.8%	159,199	1,610,800	9.9%
Lowest/highest (Welsh HEIs):	0.2% – 11.6%			1.2% – 11.9%			1.6% – 12.3%		

	2006/07			2007/08		
	Number	Total	%	Number	Total	%
Welsh HEIs	12,440	134,890	9.2%	14,066	131,511	10.7%
UK HEIs (excl London and SE)	170,962	1,621,542	10.5%	179,874	1,609,706	11.2%
Lowest/highest (Welsh HEIs):	1.6% – 17.0%			1.8% – 20.9%		

Overseas students are taken to be those students not domiciled in the EU, the Channel Islands or the Isle of Man and includes incoming exchange students.

All modes of study are included.

A new HESA student record was introduced in 2007/08, therefore any comparisons to earlier years should be made with care.

## Overseas students (continued)

**The percentage change** in the number of overseas students attending HE courses in Welsh HEIs to be **equal to, or greater than**, the comparable figure for UK HEIs (excluding London and the SE) by 2010/11.

## Year-on-year change

	2000/01 to 2001/02	2001/02 to 2002/03	2002/03 to 2003/04	2003/04 to 2004/05
Total Welsh HEIs	10.4%	23.3%	15.1%	15.6%
Total UK HEIs (excl London and SE)	10.3%	21.1%	14.0%	2.9%
Lowest/highest (Welsh HEIs):	-7.7% – 97.6%	2.8% – 93.9%	-94.2% – 64.1%	-5.2% – 875.0%

	2004/05 to 2005/06	2005/06 to 2006/07	2006/07 to 2007/08
Total Welsh HEIs	11.8%	15.4%	13.1%
Total UK HEIs (excl London and SE)	3.3%	7.4%	5.2%
Lowest/highest (Welsh HEIs):	-18.8% – 143.6%	-62.1% – 129.0%	-12.0% – 51.8%

Overseas students are taken to be those students not domiciled in the EU, the Channel Islands or the Isle of Man and includes incoming exchange students.

All modes of study are included.

A new HESA student record was introduced in 2007/08, therefore any comparisons to earlier years should be made with care.

# Research excellence

## Research creates knowledge.

When this knowledge is applied, it can generate wealth and new, high-level jobs. Our funding enables higher education institutions (HEIs) to sustain research which is recognised around the world, and to continue to form new collaborative partnerships which strengthen their individual research goals. It also offers opportunities to the business community to engage with Welsh higher education (HE) for the wider benefit of the society and economy of Wales.

## Our aims

- A research base in Wales of a quality which compares favourably with the rest of the UK and internationally.
- Effective and sustainable research groupings in Wales, by ensuring they are of a sufficient size and disciplinary range.
- The HE sector in Wales to secure more research income from sources other than HEFCW, particularly through Research Council grants and through commercialising their research outputs.
- To improve exploitation of research.

## What we do

- We provide most funding for research through the QR (Quality Research) funding stream, which rewards and reinforces research excellence based on the outcomes of the Research Assessment Exercise (RAE).
- We provide: funding for institutions to use flexibly to support their research strategies through our Research Investment Fund (RIF); funding for training postgraduate research students; and support for investing in the physical research infrastructure.
- We also provide funding through the UK-wide science research investment fund (SRIF), which HEIs use to invest in the infrastructure – such as buildings, facilities and equipment – to enable them to carry out first-class research.

## In 2008–09

- We provided further information on the next stage of the development of proposed new arrangements for research assessment – the Research Excellence Framework.
- The outcomes of the 2008 Research Assessment Exercise were announced in December 2008. The exercise showed that universities in Wales continued to deliver world-class research, seeing strong performances over a range of subjects, with world-class achievement in areas including informatics, psychiatry and neuroscience, psychology and Celtic studies. 14% of all research activity submitted by Welsh institutions was judged to be 'world-leading', with a further 35% assessed as 'internationally excellent'. 11 institutions in Wales made a total of 144 submissions to the exercise, which covered 2,578 members of staff – over 10% more than for the last exercise in 2001.
- We signed up to the Concordat to Support the Career Development of Researchers, which aims to increase the attractiveness and sustainability of research careers in the UK.
- We approved Reconfiguration and Collaboration Fund support for: the Biosciences and Environment Alliance between Aberystwyth and Bangor Universities; the Wales Institute of Social and Economic Research, Data and Methods; and the Wales Institute of Visual Computing, a 'One Wales' National Research Centre.

Performance against remit letter tasks	
Action	Outcome
To develop plans to respond to the Research Assessment Exercise 2008 in order to meet the demands for researchers and technologists.	<b>Ongoing.</b> HEFCW's research funding method was adjusted to encourage higher education institutions to respond to any requirements for such staff (including rewarding stronger research higher education institutions who are thereby enabled to build upon current levels of activity).
To play an appropriate role in the establishment of a National Science Academy.	<b>Achieved.</b> Ongoing discussions with the Welsh Assembly Government have determined requirements and options. HEFCW was represented on a new Welsh Assembly Government steering group, set up to oversee this exercise, which met for the first time on 1 April 2009.
To play an appropriate role in the establishment of new National Research Centres.	<b>Achieved.</b> The Wales Institute for Visual Computing was approved as the first One Wales National Research Centre and further possible centres have been identified.

## Research income

**A** The percentage of Research Council funding attracted by HEIs in Wales to rise from 3.3% to 4.5%.

	2000/01	2001/02	2002/03	2003/04	2004/05
Welsh HEIs Total	22,915,000	27,077,000	27,856,000	28,657,000	28,660,000
Total UK	695,065,000	805,172,000	819,804,000	832,981,000	926,145,000
Wales as % of UK	3.3%	3.4%	3.4%	3.4%	3.1%

	2005/06	2006/07	2007/08
Welsh HEIs Total	34,465,000	35,552,000	43,816,000
Total UK	1,073,233,000	1,151,951,000	1,358,095,000
Wales as % of UK	3.2%	3.1%	3.2%

Data relating to the Centre for Advanced Welsh and Celtic Studies have not been included in these figures.

**B** The research income from sources other than the Research Councils to rise by 60% on £55.6 million by 2007/08 and 100% by 2010/11.

	2000/01	2001/02	2002/03	2003/04	2004/05
Welsh HEIs Total	55,645,000	60,663,000	67,495,000	67,943,000	76,751,000
Increase as % of baseline		9.0%	21.3%	22.1%	37.9%

	2005/06	2006/07	2007/08
Welsh HEIs Total	86,717,000	95,754,000	99,108,000
Increase as % of baseline	55.8%	72.1%	78.1%

Data relating to the Centre for Advanced Welsh and Celtic Studies have not been included in these figures.

# Benefiting the economy and society

**The higher education (HE) sector in Wales produces more than 30,000 graduates a year, contributes more than £1 billion annually to the Welsh economy, attracts inward investment and generates export earnings, and is a major employer in Wales.**

Third mission activities at higher education institutions stimulate, apply and exploit knowledge which then benefits social, cultural and economic development in Wales.

Our funding for third mission activities helps the HE sector respond to Welsh Assembly Government and UK priorities in areas such as the economy, science, skills and interaction with business, and work with bodies like the sector skills councils.

## Our aims

- To benefit the economy and society – creating wealth and knowledge – through delivering productive relationships between HE institutions and the public and private sectors, other agencies and local communities.
- The retention of graduate skills in the Welsh economy and the contribution of Welsh graduate skills more widely.

## What we do

- Our third mission fund funds institutions to implement strategies which outline how they will benefit HE and the economy, and support social and cultural well-being in the local community and Wales-wide.
- Wales leads employability initiatives in the UK with schemes such as GO Wales, which have strengthened employer links with universities. This part ESF-funded programme brings graduates and business together by supporting work placements or offering work experience and training.
- We work with the Welsh Assembly Government and other Wales and UK partners to take forward priorities which affect HE institutions such as skills, sustainability, foundation degrees and opportunities in European and international HE.

- We contribute to developments in UK-wide research and medical education through our membership of the UK Healthcare Education Advisory Committee (UKHEAC).

## In 2008–09

- The Welsh Assembly Government's Education Minister confirmed a further £17 million for GO Wales, including more than £10 million of EU Convergence funding. Run by HEFCW, GO Wales helps graduates get the best start to their career. The scheme gives students and graduates training and development opportunities to prepare them for the business world, and gives SMEs and other organisations access to higher level skills to boost their business activities.
- The UK-wide Higher Education – Business and Community Interaction Survey (HEBCIS) showed that our universities as generators of income continue to boost Wales's economy and communities. Results released in 2008 show that HE institutions in Wales continued to improve across a range of indicators of economic and social contribution through activities such as delivering training and consultancy services or commercialising new knowledge.
- We appointed SQW Ltd to take forward a study which will provide an objective and robust assessment of progress made by HE institutions in implementing the values and actions on sustainability and global citizenship across an institution. It would allow institutions to compare themselves to their peers and relevant international comparators.
- We contributed to the Welsh Assembly Government's consultation exercise on its Skills and Employability Strategy, and we are a key deliverer of the HE aspects of its resultant Action Plan. We continued to build on the solid foundations already put in place between Sector Skills Councils and HE institutions, and further promoted high level workforce skills, particularly through part-time improvements, foundation degree developments and GO Wales activity. All of these helped get graduates into work and began the process of upskilling the current workforce.

Performance against remit letter tasks	
Action	Outcome
To develop plans for the higher education sector to make full use of the new Structural Funds programmes to support the knowledge economy through the development of higher level skills, knowledge transfer, research and development and innovation.	<b>Achieved.</b> The Wales Institute for Visual Computing was approved as the first One Wales National Research Centre and further possible centres have been identified.
To ensure that extra funding (e.g. European Funding) is tied to approaches in higher education; develop proposals for joint working and for the further development of inter-university agreements and for co-working between departments.	<b>Achieved.</b> Progress continues under A4B (Academic Expertise for Business), HEFCW's third mission fund and with Higher Education Wales (HEW), drawing on good links with Welsh European Liaison Officers and Industrial Liaison Officers.
To participate in joint working on socio-economic regeneration, commercialisation, research, and sector skills.	HEFCW worked with the Department for Education, Lifelong Learning and Skills and the Department for Enterprise and Transport variously to: <ul style="list-style-type: none"> <li>• progress the Welsh Assembly Government's A4B (Academic Expertise for Business) agendas to deliver the recommendations of the Gibson report on Commercialisation in Wales;</li> <li>• support Higher Education Wales (HEW) and the HE sector to bring forward all-Wales proposals for EU Convergence funding;</li> <li>• respond to the debate about the future of research assessment; and</li> <li>• improve the interaction between Sector Skills Councils and HE institutions.</li> </ul>
To establish plans for our contribution to the One Wales commitment of "Placing Wales in the World."	<b>Achieved.</b> This is a fundamental aspect of all work currently underway in HEFCW's Research Business and Community team, and part of core business. Further clarification has been sought from the Welsh Assembly Government's Department for Children, Education, Lifelong Learning and Skills regarding what more they expect beyond existing core work which reinforces and underpins the place of Welsh higher education internationally.
To develop a coherent interface with employers and to identify specific actions to create stronger partnerships between HEIs and employers.	<b>Achieved.</b> Good progress via third mission fund collaborative projects (eg food industry skills project) and under HE Sector Skills Councils (SSC) liaison group (chaired by HEFCW). Business representation on new Research, Innovation and Engagement Committee was secured and SSC work continues to emphasise and require better higher education institutions business links and partnerships. Good progress emerging through Academic Expertise for Business (A4B) and third mission fund-supported projects.

## Spinout

The number of profitable spin out companies produced from HEIs in Wales to double from 21 to 42.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
<b>Welsh HEIs Total</b>	25	31	14 *	17	15	26	32	35
Lowest/highest (Welsh HEIs)	0/7	0/7	0/4	0/5	0/5	0/6	0/9	0/9

Data shows actual new spinout companies to be formed each academic year.

\* We believe that the drop in 02/03 might be explained in part by the sector's awareness of the impending 2003 Financial Act, which disincentivised academic engagement with spinout activity (HMT has been made aware and is considering the situation).

# Initial teacher training

**Initial teacher training (ITT) courses are delivered in Wales by higher education institutions (HEIs). The HEIs recruit to intake targets set by the Welsh Assembly Government, which are designed to provide sufficient newly qualified teachers for Wales each year.**

HEIs attract high numbers of trainee primary teachers, with 953 recruited against a target of 900 in 2008/09. HEIs recruited 1,081 trainees to secondary courses, against a target of 1,175. This included 651 recruited to priority subject areas, where there are more marked teacher shortages, against a target of 739. The Welsh Assembly Government-commissioned review of ITT in Wales recommended that the HE institutions which offer training should reduce the number of teachers they trained as there was an oversupply. In the light of this, ITT provision in Wales is being reconfigured to enable the sector to deliver effectively the number of newly qualified teachers needed.

## Our aims

- That HEIs deliver newly qualified teachers of the highest quality with our support.
- The creation of three new centres for ITT to replace the existing arrangements.

## What we do

- We work with the HE sector in Wales to achieve intake targets set by the Welsh Assembly Government for trainee primary and secondary school teachers. This includes implementing reductions in targets to address the over-supply of teachers identified.
- We exercise our responsibilities, as required, to accredit providers of ITT in Wales in line with Welsh Assembly Government requirements.

- We work with Estyn – the office of Her Majesty's Chief Inspector of Education and Training in Wales – to secure the quality and standards of ITT provision, including ensuring that HEIs continue to meet the requirements for ITT accreditation.
- We fund HE institutions to help implement their ITT strategies, encouraging them to consider and tackle key issues for ITT and relevant priorities set by HEFCW, Estyn and the Welsh Assembly Government. These priorities include: training for secondary priority subjects and Welsh medium teachers; partnerships with schools; maintaining and enhancing quality; and curriculum development.

## In 2008–09

- We continued to work with institutions and the Welsh Assembly Government on reconfiguring the ITT sector in Wales. This has included discussion and consideration of institutions' ITT reconfiguration plans and the presentation of advice to the Assembly Government. Three new Centres of Teacher Education are being formed from partnerships of HE institutions: in South East Wales and South West Wales from 2009/10 and in North and Mid Wales from 2010/11. ITT provision will be phased out at Glyndŵr University. The Welsh Assembly Government is providing transitional funding set to support the reconfiguration over a four to five-year period.
- We announced, in June 2009, the allocations to institutions in the 2008/09 academic year to support the implementation of initial teacher training strategies. This came to almost £1.2 million, and included placement grant funding for institutions to pass on to undergraduate secondary ITT students.

## Performance against remit letter tasks

### Action

To set intake targets for ITT to reflect the Welsh Assembly Government's overall national targets and HE sector plans for ITT reconfiguration.

### Outcome

**Achieved.** Circulars published in February 2009 (W09/03HE and W09/04HE).

# Making it work – the HE sector in Wales

**The economic recession was arguably the most significant factor which impacted on the HE sector in 2008–09.**

Reconfiguring the higher education (HE) sector in Wales and encouraging HE institutions to collaborate remained the key priority under the Welsh Assembly Government's *Reaching Higher* strategy for higher education in 2008–09.

HE in Wales is part of a UK and wider international market for students and staff. Developments elsewhere impact on the competitiveness of the sector in Wales.

Higher education institutions (HEIs) aim to encourage students from overseas to consider Wales an attractive destination. They also face the challenge of promoting the benefits of international exchanges for home students – all in an increasingly competitive global market for higher education.

In 2008–09, the Welsh Assembly Government's Education Minister asked Professor Merfyn Jones to chair a two-part review of the mission, purpose and role of higher education in Wales. The first report, on student support arrangements, was available in early 2009.

Other Welsh Assembly Government plans for educational reform through Transforming Education and Training Provision in Wales also provide a context in which higher education institutions have a role in helping education providers in Wales to deliver a highly-skilled workforce and transform people's life chances through training and education.

## Our aims

- A competitive and diverse HE system that serves the needs of Wales.
- We meet the Welsh Assembly Government's requirement to have a more strategic approach towards distributing our core funding to HE institutions and how we distribute the funding set aside for carrying out *Reaching Higher* priorities.

- To continue to work with institutions to see how best to implement the vision presented in the report on the provision of post-92 HE in south east Wales.
- To explore how further to develop leadership and governance within the sector.

## What we do

- We announce our annual grant to HE institutions in March each year, although this happened in May in 2008 following late confirmation of budget.
- We analyse and give feedback on institutions' strategic plans. We ask HEIs to report on progress against *Reaching Higher* targets through their own institutional strategic plans. We monitor their progress, provide feedback and work with them on enhancing certain areas of performance.
- We assess annual monitoring statements from institutions that report on progress against strategies and HEFCW initiatives.
- We administer the Welsh Assembly Government's Reconfiguration and Collaboration Fund (RCF), which supports major proposals for higher education institutions to merge or work together in clusters or networks of excellence in teaching, research and third mission activities.
- We have a Strategic Development Fund which supports collaborations and UK-wide, strategic initiatives which do not fall under the remit of the RCF.
- We monitor HEIs' tuition fee plans, which outline how institutions will earmark 30% of their additional income from flexible fees for widening access (through, for example, offering bursaries and scholarships) and promoting higher education.
- We review the five year financial forecasts of institutions and their annual audited financial statements, in order to assess the sustainability of institutions.

- Our Council visits each higher education institution in Wales at least once every three years to engage more fully with individual institutions, increase HEFCW's knowledge and understanding of those institutions and improve our methods of feedback to institutions.
- We review estates strategies, where institutions take account of their individual estates needs, including the accommodation requirements of students and financial and environmental sustainability issues.
- We provide capital funding to institutions to support investment in buildings and equipment for teaching and research.
- We help institutions to adhere to other guidelines and legislation such as equality and procurement.
- We continue to support the governance and management work of the Leadership Foundation for Higher Education (LFHE) and the Committee of University Chairmen (CUC), both on a UK and Wales level. HEFCW's Chief Executive chairs a group which brings together the senior representatives from CHEW (Chairs of Higher Education Wales), HEW (Higher Education Wales), the Leadership Foundation in Wales and others involved in governor and management development.
- We work with the UK-wide body, the Equality Challenge Unit (ECU), to monitor higher education institutions' performance in meeting their statutory obligations under equality legislation. The ECU leads on UK-wide projects and research activities, and organises Welsh Liaison Group meetings to share knowledge and best practice. We monitor equality and diversity data on HEIs in Wales and provide advice and guidance in this area.
- We consulted on and developed our framework for a more strategic engagement with the HE sector in Wales.
- We developed our institutional risk assessment approach, to help us focus more clearly on the key strategic issues facing institutions and on longer term institutional sustainability.
- Worked with HEIs' governors to strengthen institutions' capacity to manage their affairs effectively in the current economic climate.
- In response to the Welsh Assembly Government's request that we examine prospective subjects of broader importance to Wales, and the types of intervention to consider, we identified three subject areas to invest in: science, technology, engineering and mathematics (STEM); modern foreign languages (MFL); and Islamic studies.
- We confirmed funding for the first Welsh Assembly Government One Wales research institute, the Wales Institute for Visual Computing.
- Following dialogue with the University of Wales, Lampeter about its future strategy, we commissioned a study to: review Lampeter's strategic direction and business model, and assess its viability and ability to deliver a sustainable institution; review Lampeter's managerial capability; and advise HEFCW on options for the future development of the University. We continued this dialogue with Lampeter and with Trinity University College. After careful dialogue, the two institutions agreed to propose merger into a new single university.
- In January 2009, the Auditor General published a report about collaboration in higher education. We then appeared before the National Assembly for Wales's Audit Committee to discuss the findings, including their potential impact on the HEFCW-administered Reconfiguration and Collaboration Fund. The report found that the Fund, provided by the Welsh Assembly Government, has, among other things, enabled universities and colleges in Wales to join forces in a number of areas that have benefited from closer working. It also recommended that we broaden the criteria governing the types of project the

## **In 2008-09**

- We announced our Economic Support Initiative, a £2 million fund to encourage Wales's universities to help individuals and businesses weather the economic downturn. The initiative was designed to encourage higher education institutions to play their part in improving the employment prospects of recent graduates, and those recently unemployed or facing redundancy.

fund supports, and that we systematically disseminate to HE institutions information on the characteristics of successful and unsuccessful applications, the outcome of all applications and lessons learnt from projects supported.

- We committed reconfiguration and collaboration and strategic development funding for: ITT reconfiguration; the Biosciences and Environment Alliance between Aberystwyth and Bangor Universities; the Wales Institute for Social and Economic Research, Data and Methods; the Wales Institute of Visual Computing 'One Wales' National Research Centre; and for sector-wide Welsh Medium developments.

Performance against remit letter tasks	
Action	Outcome
To develop a framework to evaluate the effectiveness of current expenditure in securing outcomes, underpinned by consistent management information on outputs and delivery.	<b>Ongoing.</b> This related to informing, and responding to, the Merfyn Jones review of higher education in Wales Task and Finish Group with which we engaged as appropriate.
To propose and take forward specific action to ensure the most efficient deployment of resources to higher education institutions to meet priority outcomes for Wales.	<b>Ongoing.</b> See above.
To explore the opportunities to, for example, improve efficiency in asset management and maximise funding streams through philanthropy, capital investment and other sources.	<b>Ongoing.</b> See above.
Working with the Welsh Assembly Government's Department for Children, Education, Lifelong Learning and Skills to develop a framework for the funding of a sustainable higher education sector.	<b>Ongoing.</b> See above.
To work with the Committee of University Chairs (CUC), Chairs of HE in Wales (CHEW), Higher Education Wales (HEW) and the Leadership Foundation for Higher Education to hold a seminar for governors and implement a programme of governor development/networking activities, contributing to improved diversity in senior management posts and governing bodies of higher education institutions.	<b>Achieved.</b> The CUC is working with the Equality Challenge Unit (ECU), with the support of the funding bodies, on a project which will, among other things, develop tools to help governing bodies discharge their equality and diversity responsibilities. More generally, HEFCW, jointly with the other funding bodies, supported by CUC and the Leadership Foundation to produce guidance material on effective governing bodies. This was launched at a seminar for governors and senior managers.

<p>To liaise with the HE sector to develop submissions to the Reconfiguration and Collaboration Fund, with targets and deliverables to be confirmed for each proposal prior to the release of funding.</p>	<p><b>Achieved.</b> The first meeting of the Reconfiguration and Collaboration Committee considered five proposals including one merger proposal.</p>
<p>To support the development of NEWI to full university status.</p>	<p><b>Achieved.</b> Following the HEFCW investment of some £5 million, NEWI secured full university status as Glyndŵr University.</p>
<p>To identify opportunities to promote and facilitate collaboration across higher education.</p>	<p><b>Achieved.</b> The first meeting of the Reconfiguration and Collaboration Committee considered five proposals including one merger proposal.</p>
<p>To provide a response to the Welsh Assembly Government's Education Minister on the potential contribution to be made by higher education institutions and HEFCW in delivering the emerging strategic agenda, as part of the Minister's consideration of <i>Reaching Higher</i>.</p>	<p>Not achieved within timescale: this relates to informing, and responding to, the Merfyn Jones (Review of Higher Education in Wales) Task and Finish Group with which we continued to engage as appropriate.</p>
<p>To work with the higher education sector to ensure institutions meet Welsh Assembly Government sustainable procurement targets. The sector to use the Assembly Government's Sustainable Procurement Assessment Framework (SPAF) to produce initial action plans. The sector to apply the Welsh Assembly Government Sustainability Risk Assessment (SRA) templates for goods and services to all procurement activity over Official Journal for the European Union procurement thresholds (OJEU).</p>	<p><b>Achieved.</b> Communication of targets to the sector took place in June 2008. All institutions have completed their first SPAF assessment. However some action plans were still outstanding. All information received to date was supplied to Welsh Assembly Government. Outstanding action plans were progressed with individual institutions.</p>
<p>To monitor the higher education sector's Sustainable Procurement Action Plans, to ensure Welsh Assembly Government targets are met.</p>	<p><b>Ongoing.</b> Communication of targets to the sector took place in June 2008. All institutions have completed their first SPAF assessment. However some action plans were still outstanding. All information received to date was supplied to Welsh Assembly Government. Outstanding action plans were progressed with individual institutions.</p>

## Reducing overhead costs

The **median administration cost** per FTE student for Welsh HEIs to drop from the 45th percentile of administration costs per FTE student in UK HEIs (excl. London and the SE) to the 40th by 2007/08 and the 25th by 2010/11.

	2000/01	2001/02	2002/03	2003/04
<b>Welsh HEIs Median (£)</b>	2,476	2,642	2,855	3,157
Percentage of UK (excl. London and SE) HEIs with administration cost per FTE student below Welsh median	45%	44%	46%	51%
UK (excl. London and SE) HEIs Median (£)	2,659	2,802	2,888	3,140
Lowest/highest (Welsh HEIs) (£):	1,483 – 5,419	1,603 – 5,801	1,760 – 6,663	1,635 – 7,354

	2004/05	2005/06	2006/07
<b>Welsh HEIs Median (£)</b>	3,264	3,390	3,677
Percentage of UK (excl. London and SE) HEIs with administration cost per FTE student below Welsh median	46%	47%	42%
UK (excl. London and SE) HEIs Median (£)	3,358	3,461	3,955
Lowest/highest (Welsh HEIs) (£):	1,876 – 5,665	1,948 – 5,976	1,904 – 7,058

Administration costs include academic departmental costs (excluding academic staff costs), academic services expenditure and expenditure on administration and central services (and exclude expenditure on premises). The FTE calculation includes all HE and FE for all years and non-credit bearing students up to 2003/04 (with the exception of some Welsh for Adults students for whom FTE data are not available for 2000/01 to 2004/05).

Data are taken from institutional level higher education management statistics published on the HEIDI system, which are based on HESA data.

Data for Cardiff University and UWCM have not been combined in this table for 2000/01 to 2003/04. Data for University of Glamorgan and RWCMD have not been combined in this table for 2000/01 to 2005/06.

# Making it work – HEFCW

**HEFCW aims to provide an environment in which its staff can realise their full potential so that HEFCW can, in turn, deliver its policy objectives and provide an effective service.**

As an intermediary body between the Welsh Assembly Government and the higher education (HE) sector in Wales, we act within an environment over which we exercise influence rather than control.

## HEFCW's accountability

The *Management Statement and Financial Memorandum* defines the relationship between HEFCW and the Welsh Assembly Government.

The Chief Executive is accountable to the Welsh Assembly Government and to the National Assembly for Wales for use of the public funds made available to HEFCW.

The Welsh Assembly Government's Education Minister holds an annual review meeting with the Chairman and Chief Executive, and Assembly Government officials conduct quarterly performance review meetings with the Chief Executive and HEFCW staff.

The independent office of the Auditor General for Wales (Wales Audit Office) audits our records and accounts.

## HEFCW's Council and executive

During 2008-09, there were 12 members of the Council, including the Chair. This included four new members, and the reappointment of one member.

A new Chair, Mr Roger Thomas, took up the role on 5 May 2008.

The Council met seven times in 2008-09. An assessor from the Welsh Assembly Government attends the meetings. The Chief Executives of the Higher Education Funding Council for England (HEFCE) and the Scottish Funding Council and the Deputy Secretary responsible for higher education at the Department for Employment and Learning Northern Ireland, have observer status on the Council.

- The average number of full-time equivalent posts in HEFCW in 2008-09 was 55. This included staff working on a full time, part-time, job-share, or fixed term basis, staff on long and short-term secondments and students working on placements within HEFCW.

## Our aims

- To recruit and develop staff who perform effectively and who display the values and behaviours of the organisation.
- To continually assess and identify areas for improvement through exercises such as the EFQM assessments, Investors in People, stakeholder surveys, staff surveys and Welsh Assembly Government performance reviews, and take the required action, including in the areas of leadership and management, in order to be capable of meeting future challenges.
- To fulfil our mission, we must ensure that we provide an effective service to our stakeholders and partners, and that clear, accessible and strategic communications support both our internal operations and our relationships with the Welsh higher education sector, the Welsh Assembly Government and other external partners.
- In taking forward the Welsh Assembly Government's strategy, *Reaching Higher*, we will take any necessary action to maintain both the confidence of the sector and our own capacity to facilitate change.
- To work effectively and efficiently, and be a model employer, having maintained the Investors in People standard. We are committed to keeping our staffing and support structure under review, and also our financial and other systems, to ensure that they continue to be appropriate to safeguard public funds and deliver value for money.
- To treat the Welsh and English languages on the basis of equality in providing services to the public in Wales.
- To reduce environmental impact, including sustainable procurement.

## What we do

- We produce, in a single document, a corporate strategy (setting out our long-term strategic outcomes); a corporate plan for the three financial years ahead; and a detailed operational plan covering the first of those three years. The operational plan includes targets and actions set out in the Welsh Assembly Government's annual remit letter to HEFCW. Progress against the targets in the plans is reviewed quarterly both by our Council and at meetings with the Welsh Assembly Government.
- We have a high-level corporate risk register which identifies risks associated with the delivery of our corporate plan objectives, and with the broader environment within which we operate, and measures for managing those risks.
- We maintain a dialogue with the Welsh Assembly Government about the need for an appropriate level of funding for the HE sector in Wales.
- We have a Welsh Language Scheme, which sets out how HEFCW provides Welsh language services to the public and the higher education sector.
- We published our first single Equality Scheme, where we have brought together our existing equality schemes and plans for disability, gender and race, and where we will give information on our work in other areas such as age, religion and belief and sexual orientation.
- We have an externally verified environmental management system and work with our staff to identify and implement improvements in environmental performance.
- We involve and consult with staff and other interested stakeholders in the development of our equality schemes and subsequent action plans. The plans include actions addressing both HEFCW as an employer and policies related to the HE sector in Wales.
- To monitor the effectiveness of the application process and related employment policies, and to find out whether all applicants and staff are treated equally, we have been and will be monitoring the gender, age, disability, marital status, racial or ethnic origin, sexual orientation, religion or belief of our staff and applicants. As a small organisation, we could not publish our 2008-09 data without identifying individuals. Our website includes equality monitoring data on the HE sector in Wales and on HEFCW as an employer.

## Access to information

### Publication Scheme

- HEFCW's Publication Scheme, drawn up under Section 19 of the Freedom of Information Act 2000 sets out: the information we publish, or intend to publish, as a matter of course; how this information will be published; and whether the information is available free of charge or on payment. The Publication Scheme is available at [www.hefcw.ac.uk](http://www.hefcw.ac.uk) or in hard copy on request.

### Code of Conduct and register of interests

- All Council members and staff are required to abide by a Code of Practice and to register financial, political and other interests relevant to HEFCW business. The register of interests is available on request from the Clerk to the Council and from [www.hefcw.ac.uk](http://www.hefcw.ac.uk).

### Complaints

- We operate a Complaints Against HEFCW Procedure and HEFCW can be investigated by the Welsh Administration Ombudsman. We received no requests to consider a complaint under the Complaints Procedure during the year.

## In 2008-09

- We were successful in retaining our IIP accreditation, following further assessment.
- We embarked on a full evaluation of our pay, grading, job evaluation and performance management scheme.
- We continued to implement our Welsh Language Scheme. 27% of our staff have been learning or improving Welsh through HEFCW-supported training.
- We developed a single, integrated equality scheme. Like many other public bodies, we, through our Equality Scheme, brought together our existing equality schemes and action plans for disability, gender and race. We also provide information on our work in the areas of age, religion and belief, sexual orientation and equality more generally.
- In our survey of stakeholders and partners, our 74% overall "favourability rating" was on a par with that of the other higher education funding bodies in the UK, based on similar surveys. Our action plan based on the survey outcomes is helping us to develop our ways of working to improve our effectiveness. We concluded that

we needed to improve our interaction with HE institutions, and we have developed an approach to improve the quality and effectiveness of our strategic engagement with HEIs in Wales. We also needed to enhance our media profile – and that of HE in Wales – and to reach out more successfully using our website and our newsletter. Accordingly, we carried out the first half of our project to develop a new and effective website for HEFCW. We also concluded that we would need explain our role better in relation to the various other bodies with whom we interact.

- We announced our commitment to pay all suppliers of goods and services to HEFCW within 10 days of receipt of a valid invoice.

### Performance against remit letter tasks

Action	Outcome
To undertake annual review of HEFCW's sustainable procurement action plan to ensure the ongoing progress and achievement of Welsh Assembly Government targets.	<b>Achieved.</b> An annual review took place in January 2009 which recorded an improved score.
To foster opportunities for HEFCW to work across the Welsh Assembly Government in the delivery of higher level skills, research and knowledge transfer.	<b>Achieved.</b> Taken forward as part of the actions in Benefiting the Economy and Society.

## Council committees and working groups in 2008–09

### Former committees (changed during 2008–09)

- *Quality Assessment Committee / Learning and Teaching Committee*  
Chair: Professor Philip Gummett
- *Audit and Risk Committee*  
Chair: Mr Tim Rees
- *Human Resources Committee*  
Chair: Mrs Tina Stephens;  
Professor Tony Hazell from January 2009
- *Remuneration Committee*  
Chair: Professor Sir Roger Williams;  
Mr Roger Thomas from May 2008
- *Third Mission Committee*  
Chair: Dr Len Arthur
- *Reconfiguration and Collaboration Fund Assessment Panel*  
Chair: Dr Geoffrey Thomas
- *Widening Access Committee*  
Chair: Professor Philip Gummett
- *Strategic Development Fund Panel*  
Chair: Professor Sir Roger Williams
- *Research Sounding Group*  
Chair: Professor Sir Brian Smith

### Current committees

- *Appointments Committee*  
Chair: Mr Roger Thomas
- *Audit and Risk Committee*  
Chair: Mr David Allen
- *Human Resources Committee*  
Chair: Dame Alexandra Burslem
- *Reconfiguration and Collaboration Committee*  
Chair: Dame Alexandra Burslem
- *Remuneration Committee*  
Chair: Mr Roger Thomas
- *Research, Innovation and Engagement Committee*  
Chair: Professor Garel Rhys
- *Student Experience, Teaching and Quality Committee*  
Chair: Professor Leni Oglesby

## Members of the Council during 2008–09

### Mr Roger Thomas, Chairman

**Appointed: 5 May 2008 to 4 May 2011**

Mr Roger Thomas OBE, CCMI, FRSA, OStJ was Chair of Governors and Pro-Chancellor of University of Glamorgan, and Chairman of Chairs of Higher Education Wales. In the latter capacity he was a member of the Chairs' Group of Committee of University Chairmen (CUC) and also a Member of the Board of Universities and Colleges Employers Association (UCEA); and the Joint Negotiating Committee for Higher Education Staff.

Outside higher education, Roger is Deputy Chairman of Business in Focus Ltd (enterprise agency) and Techniquist (science centre), a director of the Welsh National Opera, a member of the CBI Wales Council and a judge of the Provincial Court of Church in Wales. He was formerly senior partner at Eversheds solicitors, Cardiff, Vice President of the National Museums and Galleries of Wales, Business Partnership Adviser to the National Assembly for Wales and a member of Council at Cardiff University.

### Professor Sir Roger Williams, Chairman

**Former Vice-Chancellor, University of Reading (to September 2002)**

[First term 6 May 1995 to 5 May 1998; Second term 6 May 1998 to 5 May 2001 [Acting Chairman from July/August 2000]; Third term 6 May 2001 to 5 May 2004, during which time confirmed as Chairman, on 1 March 2002 for a period of 3 years, to 28 February 2005. Confirmed for another term as Chairman 1 March 2005 to 29 February 2008] Extended to 2 May 2008]

Former Vice-Chancellor, University of Reading [First appointed to Council in 1995; Appointed Chairman in 2002. Re-appointed for a three-year term in 2005.] Professor Sir Roger Williams was educated at Tredegar Grammar School and is a physics graduate of Oxford. After a period with the National Coal Board in Operational Research, he was on the staff of the University of Manchester from 1966 to 1993 with periods of secondment in the US, Canada and Australia. He was Vice-Chancellor of the University of Reading from 1993 to 2002. He was Special Adviser to the House of Lords Select Committee on Science and Technology from 1986 to 1992 and was Chairman of the

Joint Committee of the Science and Engineering Research Council and the Economic and Social Research Council. Sir Roger joined the Council in 1995 and was appointed Chairman on 1 March 2002 for a period of 3 years, to 28 February 2005 and reappointed to February 2008. He was awarded a knighthood in the 2006 Queen's Birthday Honours list in recognition of his services to Higher Education.

## Other members:

### **Professor Philip Gummett**

Chief Executive [from May 2004]

Professor Gummett is the Chief Executive at the Higher Education Council for Wales (HEFCW). Professor Gummett joined HEFCW from Manchester University, where he was Pro Vice-Chancellor, former Head of the Department of Government and Professor of Government and Technology Policy. He was a founder member and non-executive director of PREST (Policy Research in Engineering, Science and Technology) at Manchester – one of the leading science policy research centres globally, and is a former member, and Chair of the Board of Examiners, of the Training Board of the Economic and Social Research Council.

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### **Dr Len Arthur**

Former Senior Lecturer at the University of Wales Institute, Cardiff

[1 May 2002 to 30 April 2005; 1 May 2005 to 30 April 2008, extended to 30 November 2008]

Dr Len Arthur has 35 years experience in further and higher education in England and Wales, and was a senior lecturer at the University of Wales Institute, Cardiff and Director of Research and Enterprise at the Institute's Business School. Dr Arthur has played a leading role in the National Association of Teachers in Further and Higher Education.

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### **Professor Mari Lloyd-Williams**

Professor and Director of Academic Palliative and Supportive Care Studies Group, University of Liverpool

[1 January 2007 to 31 December 2009]

Professor Lloyd-Williams has held a personal chair at the University of Liverpool Faculty of Medicine since 2003, where she is also a consultant in palliative medicine and Director of one of the largest community medical education curricular

in the UK. She was lately Hon Senior Lecturer and Medical Lead of the LOROS Hospice, Leicester. She has an international profile for her research on psychosocial aspects of cancer for patients and families, and also palliative care for non cancer patients, and is principal investigator for several major grants. She has wide experience of chairing and sitting on regional and national committees including currently the Professional Conduct Committee of the General Medical Council and Department of Health Committee on Psychosocial Care. A fluent Welsh speaker, she is actively involved in her local community as a trustee of St Kentigern Hospice and the congregational chapel, and as a magistrate.

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### **Mr Tim Rees**

[25 June 2002 to 24 June 2005; 25 June 2005 to 24 June 2008, extended to 30 November 2008]

Mr Tim Rees is a Chartered Accountant with extensive experience of the public, private and voluntary sectors. He served on the Board of the University of Glamorgan from 1992 and was Chair of Governors from 1996 until his appointment to HEFCW. Mr Rees has previously served with the Land Authority for Wales, the Welsh Development Agency and the Welsh Health Common Services Authority.

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### **Professor D Garel Rhys OBE**

Former Director of the Centre for Automotive Industry Research, Cardiff University

[31 October 2003 to 30 October 2006; reappointed 31 October 2006 to 30 October 2009]

Professor Emeritus Garel Rhys was Director of the Centre for Automotive Industry Research at Cardiff University's Business School and held the Society of Motor Manufacturers and Traders chair in Motor Industry Economics. He headed the Business School's Economics Section until 1999. He is chairman of the Welsh Automotive Forum. He has also advised various Select Committees. He is currently chair of the Welsh Assembly's Economic Research Advisory Panel (not a salaried position) and a member of the Ministerial Advisory Group to DE&T. He is also a member of the (DTI) Motor Racing Industry Advisory Panel. He is Professor Emeritus at Cardiff University.

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### **Mr Kenneth Richards**

[1 January 2007 to 31 December 2009]

Mr Ken Richards was educated at University College, Cardiff and the Economics Department

of the Massachusetts Institute of Technology. He spent most of his career as an academic at Aberystwyth University, where he was latterly Senior Lecturer in Taxation and Finance in the School of Management and Business. He was a member of both independent reviews into student finance in Wales, chaired by Professor Teresa Rees, and has published a number of academic papers on this topic. He is Treasurer of the University of Wales Guild of Graduates, a member of the Investments Committee of Aberystwyth University, and sits on the Executive Committee of the Pantyfedwen Trust. Mr Richards is an Honorary Research Fellow at the Cardiff School of Social Sciences.

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### **Professor Sir Brian Smith**

[1 December 2002 to 30 November 2005;  
1 December 2005 to 30 November 2008]

Sir Brian was appointed Vice-Chancellor of Cardiff University in 1993, and retired in 2001. Prior to that, he was master of St Catherine's College, University of Oxford. He was awarded a knighthood in 1999 in recognition of his successes in building mutually profitable links between the University and industry and commerce. Sir Brian also served on the Welsh Development Agency from October 1998, assisting in opening up markets for Wales in India and China. Sir Brian is International Ambassador for Cardiff University.

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### **Mrs Tina Stephens**

Specialist in management and staff development  
[1 May 2002 to 30 April 2005; 1 May 2005 to 30 April 2008, extended to 30 November 2008]

Mrs Tina Stephens is a specialist in management and staff development and a Chief examiner for the Chartered Institute of Personnel and Development. She has 26 years experience in higher education and was Head of the Wrexham Business School, part of the North East Wales Institute. Mrs Stephens is Chair of the North Wales Associate Groups, a network that promotes the mutual development of SMEs to foster economic and employment opportunities.

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### **Dr Geoffrey Thomas**

Former Head of Continuing Education Department, Oxford University and President of Kellogg College (to 31 Dec 2007)

[1 June 2000 to 30 May 2003; 1 June 2003 to 30 June 2005 (extended to 30 September 2005)]

Reappointed [1 January 2006 to 31 December 2008]

Dr Geoffrey Thomas is the former Head of the Continuing Education Department at Oxford University, and President of Kellogg College. Dr Thomas is a native Welshman and a graduate of Swansea University. His postgraduate degree was obtained at Cambridge University. He has spent periods as a visiting scholar at the Smithsonian Institution in Washington, DC, at Harvard University, the University of California at Berkeley, and the University of Washington. He has also been a Council Member of the British Association, and Executive Committee member of the Universities Association for Continuing Education, and a member of Cabinet Office Committee of Inquiry on the Public Understanding of Science.

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### **Professor Nigel Stott CBE**

[1 January 2006 to 31 December 2008]

Professor Nigel Stott is currently Emeritus Professor of General Practice in Wales (based at Cardiff University) and he was awarded the CBE for Services to Medicine in 2001. He was awarded an Honorary Fellowship of Cardiff University in July 2007 and is a fellow of the Royal College of Physicians Edinburgh, the Royal College of General Practitioners and the Academy of Medical Sciences. He has been a member of the Joint Medical Committee of HEFC, Standing Committee for Postgraduate Education in Wales, Council of RCGP Wales and the Research Strategy Committee for UWCM. He has also served as a non-executive member of the UHW Trust Board and was appointed by the National Assembly to chair the reference group that advanced a Primary Care Strategy for Wales in 2001.

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### **Mrs Pauline Thomas**

Head of Abertillery Comprehensive School  
[1 April 2007 to 31 March 2010]

Mrs Pauline Thomas graduated from Nottingham University with a degree in Chemistry; from Keele University (Alsager College) with a PGCE (commendation) in Science and Maths; and gained her MA in Educational Management from the Open University in 1998. She moved to Wales in 1999 and took up the post of Deputy Head of Monmouth Comprehensive School. Mrs Thomas completed her NPQH at Cardiff University in 2001 and took up her current post as Head of Abertillery Comprehensive School in January 2002. She has been an elected

member of the Association of School and College Leaders Council (ASCL) since 1999 and previously served as its Membership Officer before being elected as Honorary Secretary in 2005.

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**Mr David Allen**

Registrar and Secretary, University of Exeter  
[1 December 2008 to 30 November 2011]

Mr Allen has been Registrar and Secretary of the University of Exeter since 2003 and Deputy Chief Executive since 2009. As Chief Operating Officer he is responsible for the effective and efficient operations and governance of the University, controlling budgets of some £80million and being responsible for 1500 staff. David was educated at Barry Comprehensive School for Boys and graduated from Swansea in 1973, followed by a master's degree from Cardiff in 1986. He began his career in University management at the University of Wales Registry in 1976, moving to the then Welsh National School of Medicine in 1981. In 1986 he took up a senior post at the University of Southampton before returning to Wales in 1991 as Secretary to the Joint Planning and Resources Committee of the University of Wales. In 1994 he was appointed Registrar of the University of Nottingham and in 1998 Registrar and Secretary of the University of Birmingham. David currently serves on the Board of the Leadership Foundation for Higher Education and chairs its Audit Committee. He is a member of the Leadership, Governance and Management Committee of the Higher Education Funding Council for England and also serves on its Sustainability and Shared Services Advisory Groups. He also serves on the Universities UK Delivery Partnership for Higher Education.

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**Dame Alexandra (Sandra) Burslem**

Former Vice-Chancellor, Manchester Metropolitan University  
[1 December 2008 to 30 November 2011]

Dame Burslem was Vice-Chancellor of Manchester Metropolitan University from 1997–2005. She has now been appointed a Civil Service Commissioner. She also Chairs the Education Honours Committee, and is the first Independent Chair of the British Council's Education-UK Partnership. Alexandra also sits on the Boards of a number of educational institutions, including the Royal Northern College of Music, the new University of Cumbria and City College Manchester, and is Chair of the Governors

of Chetham's School of Music. Alexandra has been a member of the Bench of Manchester City Magistrates since 1981. She was awarded an OBE for services to Higher Education in 1992, and became a Dame Commander of the British Empire in the New Year Honours in 2004. She was also High Sheriff for the County of Greater Manchester in 2006-07.

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**Professor Leni Oglesby**

Former Senior Deputy Vice-Chancellor, University of Teeside  
[1 December 2008 to 30 November 2011]

Professor Oglesby previously held academic and senior management posts at Leicester, Sheffield, Lancaster, Surrey and Manchester Metropolitan universities, and a secondment to the Policy Division of the Higher Education Funding Council for England. She has wide experience of international, European, national and regional agencies, including the International Council for Adult Education, the European Bureau of Adult Education, the Universities Association for Lifelong Learning and the Society for Research in Higher Education. Leni has been a member of HEFCE and QAA panels, variously concerned with the recognition of centres of excellence in teaching and learning, HE in FE, institutional degree awarding powers, and quality assurance and employer engagement provision. She is a graduate of Cardiff University, and undertook postgraduate studies at Leicester University. She is also a fellow of the Royal Society of Arts. She is currently a member of the Higher Education Funding Council for England's Strategic Advisory Committee on Widening Participation.

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**Professor Anthony Hazell**

Chair of the UK Nursing and Midwifery Council  
[1 January 2009 to 31 December 2011] resigned  
31 May 2009

Professor Hazell retired from his full time position as Assistant Principal at UWIC in 2004 having spent nearly 30 years in Higher Education in England and Wales. From 2001 to 2008 he was Chair of the Velindre NHS Trust. He has held a number of positions on committees within HEFCW, and in April 2008 he joined the Board of the QAA. He has been a Member of the Health Professions Council since 2002 and is currently Chair of the new UK Nursing and Midwifery Council.

# Annual report and accounts

For the year ended 31 March 2009

# Annual report

## Introduction and background

### Statutory background

The Higher Education Funding Council for Wales (HEFCW) was established under the Further and Higher Education Act 1992. On 7 May 1999, the National Assembly for Wales was created and took over the majority of the functions of the Welsh Office from 1 July 1999, which led to HEFCW becoming a sponsored body of the National Assembly for Wales (the former National Assembly for Wales as constituted by the Government of Wales Act 1998). As a result of the Government of Wales Act 2006, HEFCW is now an Assembly Government Sponsored Body.

These accounts have been prepared in accordance with the direction made by Welsh Ministers with the consent of the Treasury, in exercise of powers conferred by paragraph 16 (2) of schedule 1 to the Further and Higher Education Act 1992. A copy of the direction can be obtained from the Council.

The accounts are prepared in accordance with the requirements of the Companies Acts and Accounting Standards issued or adopted by the Accounting Standards Board, so far as these requirements are appropriate.

These statements cover the sixteenth reporting period of the Council and reflect the continuing development of the Council's systems and policies.

### The responsibilities of the Higher Education Funding Council For Wales

HEFCW is responsible for the administration of funds made available by the Welsh Assembly Government, and others, in support of the provision of education and the undertaking of research by higher education institutions in Wales and the provision of prescribed courses of higher education in local authority or further education institutions in Wales, and the performance of such supplementary functions as are required of it by the Further and Higher Education Act 1992 and the Education Act 1994.

### Employee matters

Regular staff meetings and seminars ensure good internal communications and provide opportunities for staff to contribute to the workings of HEFCW. A Works Council, through which representatives can raise issues of concern to staff, met on a regular basis.

On 26 January 2000, HEFCW achieved the Investors in People award. This award was re-assessed during October 2006 and again since the year-end, in May 2009, the Council was still found to be successfully meeting the Investors in People standard.

HEFCW is committed to developing its Diversity policies to ensure that all employees are treated fairly, irrespective of gender, age, marital status, disability, racial or ethnic origin, sexual orientation, religion or belief.

HEFCW's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applicants with a disability where they have the appropriate skills and abilities to perform the job. If disablement should occur during employment HEFCW would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities. To reinforce this policy, HEFCW is seeking to be assessed in 2009-10 for the 'Two Ticks' Disability symbol. This symbol represents recognition given by Jobcentre Plus to employers who have agreed to make certain positive commitments regarding the employment, retention, training and career development of disabled people.

Sickness absence is monitored by HEFCW. At 3.86% for 2008-09, this is low compared to most other organisations in the public sector (average working time lost per CIPD Absence Management Annual Survey Report 2007 – Public Services 4.5%; Education 4.2%; Central Government 4.9%; Other Public Services 4.6%; Local Government 3.7%).

### Personal data related incidents

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

## Creditor payment policy

The Council is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's Prompt Payment Code. An analysis of the Council's 2008-09 payment performance indicated that 99.0% of invoices (2007-2008: 98.5%) were paid in accordance with agreed contractual conditions, or where no condition existed, within 30 days of the presentation of a valid invoice.

As a response to the change in economic conditions in the UK, the Council will be advancing its payment of creditors' target from 1 April 2009 to that of 10 working days from the date of the presentation of a valid invoice.

## Council membership

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

### Chairman

**Professor Sir Roger Williams**  
(term of office ended 2 May 2008)  
*Former Vice Chancellor, University of Reading*

**Mr Roger Thomas OBE**  
(appointed 5 May 2008)  
*Former Chair of Governors and Pro-Chancellor of the University of Glamorgan*

### Members

**Professor Philip Gummatt**  
*Chief Executive, Higher Education Funding Council for Wales*

**Mr David Allen**  
(appointed 1 December 2008)  
*Registrar and Secretary of the University of Exeter*

**Dr Len Arthur** (term of office ended 30 November 2008) *Retired Senior Lecturer at University of Wales Institute, Cardiff*

**Dame Alexandra Burslem**  
(appointed 1 December 2008) *Former Vice-Chancellor of Manchester Metropolitan University*

**Professor Anthony Hazell**  
(appointed 1 January 2009) *Chair of the UK Nursing and Midwifery Council*

**Professor Mari Lloyd-Williams** (appointed 1 January 2007) *Professor and Director of Academic Palliative & Supportive Care Studies Group, University of Liverpool*

## Audit

The accounts of the Council are audited by the Auditor General for Wales as required by paragraph 16(1) of Schedule 1 to the Further and Higher Education Act 1992. External audit fees in respect of this and other audit work are shown at Note 3 to these accounts.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditors are unaware; and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Council's auditors are aware of that information.

**Professor Katherine Oglesby** (appointed 1 December 2008) *Former Senior Deputy Vice-Chancellor of the University of Teesside*

**Mr R P V (Tim) Rees** (term of office ended 30 November 2008) *Chartered Accountant; former Chair of Governors at the University of Glamorgan*

**Professor D Garel Rhys CBE** (re-appointed 31 October 2006) *Former Director of the Centre for Automotive Industry Research, Cardiff University*

**Mr Kenneth Richards** (appointed 1 January 2007) *Former Senior Lecturer in Taxation and Finance, University of Wales, Aberystwyth*

**Professor Sir Brian Smith** (reappointed 1 December 2008) *Former Vice Chancellor, Cardiff University*

**Mrs Tina Stephens** (term of office ended 30 November 2008) *Specialist in management and staff development; Chief examiner for Chartered Institute of Personnel and Development*

**Professor Nigel Stott CBE** (term of office ended 31 December 2008) *Emeritus Professor of General Practice in Wales, Cardiff University*

**Dr Geoffrey P Thomas** (term of office ended 31 December 2008) *Former Head of Continuing Education Department, Oxford University and President of Kellogg College*

**Mrs Pauline Thomas** (appointed 1 April 2007) *Head of Abertillery Comprehensive School*

The following Council Members served on HEFCW's committees and panels during the year:

Committees/panels (to December 2008)	Members
Remuneration	Professor Sir Roger Williams (Chair) (to 2 May 2008), Mr Roger Thomas (Chair) (from 5 May 2008), Mrs Tina Stephens
Widening access	Professor Philip Gummett (Chair)
Quality assessment	Professor Philip Gummett (Chair)
Audit & risk	Mr Tim Rees (Chair), Professor Nigel Stott
Human resources	Mrs Tina Stephens (Chair), Mr Tim Rees, Professor Garel Rhys
Reconfiguration & collaboration	Dr Geoffrey Thomas (Chair), Mr Tim Rees, Professor Garel Rhys
Third mission	Dr Len Arthur (Chair)
Learning & teaching	Professor Philip Gummett (Chair)
Strategic development fund assessment	Professor Sir Roger Williams (Chair) (to 2 May 2008), Mr Roger Thomas (Chair) (from 5 May 2008), Professor Sir Brian Smith, Professor Philip Gummett
Research sounding group	Professor Sir Brian Smith (Chair)
Appointments	Professor Sir Roger Williams (Chair) (to 2 May 2008), Mr Roger Thomas (Chair) (from 5 May 2008), Dr Len Arthur, Mr Tim Rees, Mrs Tina Stephens, Professor Philip Gummett

As a result of the appointment of a number of new Council Members, the Council Committee structure was reviewed by the Chair of the Council and by HEFCW officers and revised and approved by Council in December 2008. The structure and representation of Council Members from January 2009 was as follows:

Committees from January 2009	Members
Learning and teaching	Professor Katherine Oglesby (Chair), Professor Mari Lloyd-Williams, Mrs Pauline Thomas
Research, innovation and engagement	Professor Garel Rhys (Chair), Mr Kenneth Richards, Professor Sir Brian Smith
Audit and risk	Mr David Allen (Chair), Professor Anthony Hazell, Mr Kenneth Richards
Reconfiguration and collaboration	Dame Alexandra Burslem (Chair), Professor Garel Rhys, Professor Sir Brian Smith, Professor Philip Gummett
Human resources	Professor Anthony Hazell (Chair), Dame Alexandra Burslem

Remuneration	Mr Roger Thomas (Chair), Professor Anthony Hazell, Dame Alexandra Burslem
Appointments	Mr Roger Thomas (Chair), Professor Anthony Hazell, Mr David Allen, Dame Alexandra Burslem, Professor Katherine Oglesby, Professor Garel Rhys, Professor Philip Gummett

### Assessor appointed by Welsh Ministers

Mr Mike Hopkins

*Head of Lifelong Learners & Providers Division, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government*

The register of members' interests is available for inspection through the Clerk to the Council at the Council's offices in Llanishen.

## Management commentary

### Mission statement and strategic aims

HEFCW's mission is to promote internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely.

Working with partners, HEFCW deploys funds from the Welsh Assembly Government and others in order to:

- secure higher education learning and research of the highest quality;
- maximise the contribution of higher education to the culture, society and economy of Wales; and to;
- ensure high quality, accredited teacher training provision across Wales.

In all that HEFCW does it is committed to maintaining and upholding the enduring core higher education values of:

#### *Scholarship and learning*

Sustaining a culture which demands disciplined thinking and intellectual integrity, encourages curiosity, challenges existing ideas and generates new ones.

#### *Civic responsibility*

Playing a major role in encouraging good citizenship and in shaping a democratic, inclusive society founded on respect for the rights of the individual and their responsibilities to society as a whole.

#### *Lifelong learning*

Enabling individuals to develop their capabilities to their highest potential throughout life.

#### *Sustainability*

Working to ensure that the sector develops structurally in a manner that best supports the delivery of the strategic aims and remains internationally competitive.

HEFCW's strategic aims in discharging its responsibilities are:

- i) **Reaching Wider:** delivering wider participation and access in support of social inclusion and economic upskilling;
- ii) **The 'deal for students':** delivering the highest quality learning and related support;
- iii) **Research excellence:** delivering improved research performance to underpin the knowledge economy and cultural and social renewal;
- iv) **Benefiting the economy and society:** delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities;
- v) **Initial teacher training:** delivering newly qualified teachers of high quality;
- vi) **Making it work: The higher education sector in Wales:** a strong emphasis on reconfiguration, collaboration and other measures to sustain improved performance of individual institutions and the HE system as a whole; and
- vii) **Making it work: HEFCW:** being an effective public body by (i) having the capability and infrastructure that enables us to work effectively internally and with all our stakeholders and partners (especially the Welsh Assembly Government and the HE sector in Wales); and (ii) being an employer of choice.

## Remit letter

In March 2008, the Minister for Children, Education, Lifelong Learning and Skills issued the annual remit letter to the Council. This sets out the Welsh Assembly Government's guidance to HEFCW for the year and the priorities and outputs the Minister expects HEFCW to deliver and which should be reflected in HEFCW's operational plan. The remit letter focused on four themes:

- Contribution to the delivery of *One Wales*
- HEIs' contribution to economic performance and social inclusion
- Cooperation, collaboration and reconfiguration in the sector to raise performance and meet future challenges
- Performances of the HE sector in Wales, encompassing quality, effectiveness and efficiency of delivery, underpinned by a financial framework which is sustainable and affordable.

## Operational plan

HEFCW then produced its operational plan on the basis of policies and actions identified in the remit letter. Of the 70 actions identified in the operational plan for 2008-09, 51 were achieved, seven were awaiting the outcome of the Jones review of higher education, five lay with the Welsh Assembly Government for action, and seven were carried forward to 2009-10.

### Some of the key operational plan actions were to:

- *Implement measures for demand stimulation in Subjects of Broader Importance in Wales.* A revised approach was agreed by the Council in October, including additional funding, the inclusion of Modern Foreign Languages, and becoming part of the national STEM (Science, Technology, Engineering and Maths) programme with The Higher Education Funding Council for England;
- *Develop a new quality assurance process for Wales for implementation from 2009/10.* The specification for the new quality assurance process was completed by the end of November 2008;
- *Implement a revised research funding method in March 2009 in the light of the outcomes of the 2008 Research Assessment Exercise.* A revised funding method was implemented which focused

on sustainable excellence, following the Council's strategic decision to invest more funds in research;

- *Conclude new arrangements with WEFO for GO Wales Phase IV.* Enlarged GO Wales programme commenced on 1 January 2009 for an initial three years;
- *Work with Initial Teacher Training (ITT) providers to implement plans for the reconfiguration of ITT.* Three joint ITT schools set up, to be funded for the first time in 2009/10.

In addition, HEFCW has played its part in responding to the economic downturn by launching in March 2009 an Economic Support Initiative, under which it has made £2m available to HE institutions to deliver tailored training and support services to assist individuals and/or support to companies through access to HE knowledge and expertise.

2008-09 also saw the publication of a report by the Wales Audit Office on *Collaboration between Higher Education Institutions*. The report was generally positive and concluded that HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively. Some recommendations for improvements were made; these have been accepted and are being implemented.

Internally, HEFCW carried out a review of its pay and grading structure and submitted proposals to the Welsh Assembly Government for the introduction of a revised structure. Discussions are taking place with the Welsh Assembly Government on the proposals.

## Financial review

The net operating costs for the year were £454.3 million (2007-08 net operating costs £444.7 million). The cumulative general fund at 31 March 2009 after crediting grant in aid funding of £453.0 million, was £5.2 million (2007-08 £6.3 million). The Council's expenditure is planned on the basis of the funds available to it through annual receipts of grant in aid and other income and general fund balances. The financial statements will always record a net operating costs result for the year as a result of the crediting of funding received to the general fund in the balance sheet. The Council's activities are also planned to ensure that its cash carry forward remains within the two per cent of total grant in aid for the year allowed by the Welsh Assembly Government.

It should be noted that recurrent expenditure of £412.9 million in the year was £10 million lower

than in 2007-08, largely due to the fact that the supplementary income support stream funding, payable to institutions in Wales as compensation for the delayed introduction of student top-up fees, already in place in England, ended in the financial year 2007-08. Expenditure on fixed assets amounted to £40,000 in the year.

## **Environmental and community matters**

HEFCW has a joint health and safety/environmental group where membership is open to any staff who wish to join. In May 2008, HEFCW drew up an environmental policy and action plan to improve environmental sustainability and in January 2009, HEFCW was awarded level 2 Green Dragon accreditation for its environmental management system.

During the year, HEFCW introduced as part of its special leave policy, the option of members of staff taking up to two days' paid leave per annum to volunteer to support local charities or community groups. HEFCW has improved its links with local communities by advertising itself via AWEMA (All Wales Ethnic Minority Association) and Urban UK and through its membership of SEWEN (South East Wales Equality Network).

HEFCW has taken steps to take part in the Positive Action Initiative run by PSMW (Public Service Management Wales) to provide short term work tasters in 2009-10 for black and ethnic minority youths from local community groups. Work placements were also provided for two local graduates in 2008-09 through the Graduate Opportunity Wales scheme.

is set in accordance with the approved pay and grading system within the Council, which applies to all staff appointments. The Council's overall levels of remuneration and its annual pay remit, which apply to all staff including the directors, are approved by the Welsh Assembly Government.

No specific bonus is payable to the directors although an annual performance award equivalent to one step increment on salary bandings can be made in accordance with the performance appraisal process which applies to all staff appointments.

## **Remuneration committee**

HEFCW has a Remuneration Committee which is responsible for reviewing annually the performance of the Chief Executive and the directors. The committee, consisting at any time of at least two members, both of whom are Council Members, has delegated authority to consider matters affecting the pay and performance bonus of the Chief Executive and makes recommendations for approval to the Welsh Assembly Government accordingly.

## **Remuneration report**

### **Remuneration policy**

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

The Chief Executive's remuneration is set by the Welsh Assembly Government and may include a performance related award of up to 10% based on the assessment of performance targets set by the Chair of the Council. The directors' remuneration

## Salary and pension disclosures\*

Position	Name	Salary	Real Increase in Pension & Lump Sum	Pension at 31/03/08 & Lump Sum	CETV at 01/04/08	CETV at 31/03/09	Real increase in CETV as funded by employer
		£'000	£'000	£'000	£'000	£'000	£'000
Chair (to 2 May 2008)	Prof Sir Roger Williams	£0-5 (2007-08: £15-20)	N/A	N/A	N/A	N/A	N/A
Chair (from 5 May 2008)	Roger Thomas	£20-25 (2007-08: nil)	N/A	N/A	N/A	N/A	N/A
Chief Executive	Prof Philip Gummett	£105-110 (2007-08: £105-110)	0 – 2.5 pension plus 2.5 – 5 lump sum	10 – 15 pension plus 30 – 35 lump sum	232	262	23
Director of Finance and Corporate Services	Richard Hirst	£90-95 (2007-08: £85-90)	0 – 2.5 pension	45 – 50 pension	733	823	39
Director of Strategic Development	David Blaney	£85-90 (2007-08: 30-35)	5 – 7.5 pension	30 – 35 pension	304	407	79

The CETV figures at 01/04/08 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The total salary for Roger Thomas, Chair from 5 May 2008 was £21,759. This equates to a full year salary of £23,904. For the period to 31 March 2009, Roger Thomas waived his right to £7,849 of his salary and elected for payment to be made to a charity.

David Blaney was appointed as a director on 1 November 2007. The full year equivalent of his salary for 2007-08 shown above fell within the band £80,000-85,000.

Richard Hirst and David Blaney are members of the Premium defined benefit scheme, part of the Principal Civil Service Pension Scheme. The scheme benefits do not include the payment of an automatic lump sum on retirement (see 'pensions' below).

The Chief Executive has a permanent contract and is an ordinary member of the Principal Civil Service Pension Scheme. His contract 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 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 and Council Members (excluding the Chief Executive) are not members of the Principal Civil Service Pension Scheme and do not receive any pension benefits paid for by HEFCW. Council Members (excluding the Chair and Chief Executive) receive a non-pensionable salary of £5,004 per annum.

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

\* This information is subject to audit

## Pensions

Pension benefits are provided through the Civil Service Pension ("CSP") arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, and classic plus); or a 'whole career' scheme (nuvos). 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 and nuvos are increased annually in line with changes in the Retail Price Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his 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, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% 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 and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.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 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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

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



**Professor Philip Gummatt**

Chief Executive and Accounting Officer  
14 July 2009

## Statement of Council's and Chief Executive's responsibilities

Under paragraph 16(2) of schedule 1 to the Further and Higher Education Act 1992, the Higher Education Funding Council for Wales is required to prepare a statement of accounts for each financial year in the form and on the basis determined by Welsh Ministers, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Council's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council 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 financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Principal Accounting Officer for the Welsh Ministers has designated the Chief Executive of the Higher Education Funding Council for Wales as the Accounting Officer. His relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Council's assets, are set out in the Accounting Officers' Memorandum.

## Statement on internal control

### Scope of responsibility

1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of HEFCW's policies, aims, and objectives whilst safeguarding the public funds and other assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Treasury guidance *'Managing Public Money'*. My role and responsibilities as Accounting Officer for HEFCW are set out in the memorandum *The Responsibilities of an AGSB Accounting Officer*. I also attend regular meetings with officers in the Higher Education Division of the Welsh Assembly Government where the priorities for HEFCW and the key risks facing the organisation are reviewed.

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### The purpose of the system of internal control

2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of HEFCW's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in HEFCW for the year ended 31 March 2009 and up to the date of approval of the accounts, and accords with Treasury Guidance.

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### Capacity to handle risk

3 HEFCW's approach to risk management is set out in its risk management policy and guidelines, which were updated in February 2008. Risk management involves a planned and systematic approach to the identification, assessment and mitigation of the risks that could hinder the achievement of strategic objectives. The stages HEFCW goes through to integrate risk management into its processes are summarised below.

4 HEFCW's key objectives are set out in its Corporate Strategy and Corporate & Operational Plan. Responsibility for the activities and processes undertaken to achieve those objectives resides with the various teams within HEFCW. Teams are responsible for identifying and assessing the risks associated with the delivery of their objectives, and for capturing this information in team risk registers.

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5 Risks to the delivery of HEFCW's objectives which are assessed as 'significant' in terms of their probability of occurrence and their potential impact are regarded as corporate level risks. These risks are identified on a separate corporate risk register, as well as in team registers, and are subject to close and regular scrutiny by Management Board, the Audit and Risk Committee, and Council. Each team is expected to:

- Establish clear objectives for their areas of operation, including those from the latest Corporate Strategy and Corporate & Operational Plan, and identify and evaluate the key risks to achieving those objectives;
- Incorporate risk responses into a system of internal control that is designed to address opportunities, facilitate effective and efficient operations, protect HEFCW's interests and ensure compliance with applicable laws and guidance;
- Design, operate and monitor the system of internal control;
- Ensure that emerging risks are identified and an appropriate response is made;
- Monitor the effectiveness of the system of risk and internal control management, and report significant weaknesses or non-compliance to the Management Board;
- Ensure that a risk-based approach to internal control is communicated to all their team's staff and embedded in operational processes;
- Provide an annual assurance in the form of a statement of internal control by the relevant Director or Head of Team to the Chief Executive on the extent of compliance with this Policy.

## The risk and control framework

6 The particular roles and responsibilities of the various groups and individuals within HEFCW are set out below.

Body	Key responsibilities
HEFCW Council	To approve the risk management strategy and policies, and to determine HEFCW's 'risk appetite', advised by the Audit and Risk Committee, the Chief Executive and the Management Board.
Audit and Risk Committee	To review the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing HEFCW, and advise the Council on the effectiveness of measures to safeguard HEFCW's assets and the prevention and detection of fraud and irregularity.
The Chief Executive	<p>As Accounting Officer, the Chief Executive remains ultimately accountable for the organisation and its management of risk. He must:</p> <ul style="list-style-type: none"> <li>• have a clear understanding and assessment of the risks that could prevent delivery of objectives</li> <li>• ensure that the organisation has effective risk management and control processes</li> <li>• be provided with assurance that the processes and the key strategic risks are being effectively managed.</li> </ul>
Management Board	Owners of the corporate risk register responsible for reviewing it on a regular basis (at least three times a year ahead of each Audit and Risk Committee meeting) to ensure that the key risks for HEFCW are recorded and are being effectively managed.
Directors and Heads of Teams	<p>Directors are responsible for overseeing and signing-off of Team risk registers. Heads of Teams are the owners of Team (operational) risk registers and project risk registers for their own Teams.</p> <p>Responsible for ensuring that:</p> <ul style="list-style-type: none"> <li>• registers are prepared, covering the key risks that exist in relation to activities or projects managed by the Team;</li> <li>• risks are assessed against HEFCW's common evaluation criteria, in particular to ensure that registers distinguish clearly between significant (corporate) risks and minor risks;</li> <li>• systems are established to regularly monitor and update the registers (at least three times a year);</li> <li>• actions identified to manage the key risks are effective and sufficient.</li> </ul>

Body	Key responsibilities
Risk Assurance Section	<p>Advising on the development and implementation of the risk management policy and guidelines and facilitating implementation.</p> <p>Developing a risk-based audit plan (in consultation with members of the Management Board and for approval by the Audit and Risk Committee) such that audit assurance is focussed on the effectiveness of controls in place to manage the most significant risks.</p> <p>Providing an annual opinion, based on the risk-based audit plan, to the Accounting Officer on the effectiveness of corporate governance, risk management and internal control.</p>
All Other Staff	<p>Identification and management of operational and project risks. Drawing the attention of their line manager to key risks, which may be sufficiently serious to require monitoring at corporate level.</p>

## Review of effectiveness

7 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and directors and heads of teams within HEFCW who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

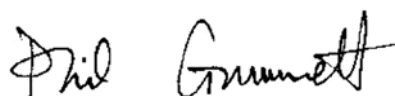
8 Specific developments during 2008-09 to strengthen our ability to achieve HEFCW's strategic objectives and manage risk include:

- We carried through the reorganisation of HEFCW's structure, designed to ensure that HEFCW's resources are best able to secure the achievement of our strategic aims and to address the risks involved. A review of the organisational design work after the first year of operation suggests that it is well on the way to achieving its objectives although there is still work to be done in some areas;
- We have maintained the ISO 27001 certification for HEFCW's Information Security Management Systems following six monthly surveillance visits carried out by independent auditors. We regard this as particularly significant given the current emphasis on the importance of data security. Our continued accreditation to the standard signifies our commitment to information security

and has been achieved by demonstrating ongoing improvements such as enhancements to the security of our infrastructure, regular reviews and risk assessments of all our information assets against potential threats, maintaining our knowledge and awareness of current issues and legal requirements and a commitment amongst all our staff to consider information security as they carry out their daily duties;

- After consultation, we introduced a new financial memorandum between HEFCW and institutions, and a new audit code of practice, effective from 1 August 2008.

9 During the year our control systems, including the work of the internal audit service, have identified a number of areas where controls require strengthening. Details of the most significant issues have been recorded either in internal audit reports or in the individual assurance statements referred to above. I do not consider that any of the issues raised indicates a significant weakness in our internal controls which would warrant disclosure here, and I am satisfied that the system of internal control has developed effectively over the course of the year.



**Professor Philip Gummatt**  
Chief Executive and Accounting Officer,  
14 July 2009

## The certificate and report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of the Higher Education Funding Council for Wales for the year ended 31 March 2009 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Chief Executive and the auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' Directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' Directions made thereunder. I report to you whether, in my opinion, the information which comprises the Introduction and Background, Management Commentary and the unaudited part of the Remuneration Report in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to

the authorities which govern them.

In addition, I report to you if in my opinion, the Higher Education Funding Council for Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Higher Education Funding Council for Wales' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Higher Education Funding Council for Wales' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction and Background, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Higher Education Funding Council for Wales' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of

the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Further and Higher Education Act 1992 and directions made thereunder by Welsh Ministers, of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2009 and of its net operating costs and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education Act 1992 and directions made thereunder by Welsh Ministers; and
- information which comprises the Introduction and Background, the Management Commentary and the unaudited part of the Remuneration Report given within the Annual Report is consistent with the financial statements.

## **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

### **Jeremy Colman**

Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

20 August 2009

# Operating cost statement for the year ended 31 March 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
<b>Expenditure</b>					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	412,954		422,881	
Capital expenditure	3	21,854		7,828	
Other purposes	5	23,745		23,325	
		458,553		454,034	
<i>Council expenditure:</i>					
Administration costs	6	791		708	
Staff costs	7	2,196		2,186	
Depreciation	10	85		129	
Amortisation	11	-		10	
Notional charges – cost of capital	8	202		237	
		3,274		3,270	
<b>Total expenditure</b>			461,827		457,304
<b>Income from activities</b>	2		7,535		12,563
<b>Net operating costs before interest and appropriations</b>			(454,292)		(444,741)
Interest receivable	9		268		460
Appropriations	9		(268)		(460)
<b>Net operating costs for the year transferred to the general fund</b>			(454,292)		(444,741)
<b>Movement on general fund</b>					
Balance brought forward			6,322		7,180
Net operating costs for year			(454,292)		(444,741)
WAG grant in aid			453,011		443,646
Notional cost of capital adjustment			202		237
Balance carried forward			5,243		6,322
All activities are continuing.					
There are no recognised gains and losses in either 2008-09 or in 2007-08.					

The notes on pages 62 to 72 form part of these accounts.

## Balance sheet as at 31 March 2009

	Notes	2009		2008	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	10		201		246
Intangible fixed assets	11		1		-
			202		246
<b>Current assets</b>					
Debtors	12	212		844	
Cash at bank and in hand	20	5,625		6,001	
		5,837		6,845	
<b>Creditors</b>					
Amounts falling due within one year	13	(796)		(769)	
Net current assets			5,041		6,076
<b>Net assets</b>			5,243		6,322
<b>Financed by:</b>					
<b>Capital and reserves</b>					
General fund			5,243		6,322
<b>Total government funds</b>			5,243		6,322

The notes on pages 62 to 72 form part of these accounts.

Signed on behalf of the Council



**Professor Philip Gummatt**  
Chief Executive and Accounting Officer  
14 July 2009

# Cashflow statement for the year ended 31 March 2008

	Notes	2009 £'000	2008 £'000
<b>Operating activities</b>			
Net cash outflow from operating activities	19	(453,548)	(443,854)
<b>Returns on investments and servicing of finance</b>			
Interest received		243	448
Interest surrendered to the Welsh Assembly Government		(243)	(448)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	10	(40)	(258)
Payments to acquire intangible fixed assets	11	(1)	-
<b>Net cash outflow before financing</b>		<b>(453,589)</b>	<b>(444,112)</b>
<b>Financing</b>			
Welsh Assembly Government Funding		453,011	443,646
Welsh Assembly Government notional cost of capital adjustment	8	202	237
<b>Decrease in cash</b>	20	<b>(376)</b>	<b>(229)</b>

The notes on pages 62 to 72 form part of these accounts.

## Notes to the accounts

### 1. 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 are prepared under the modified historical cost convention and in accordance with the requirements of the Companies Act 1985, the Government Financial Reporting Manual and Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate. Fixed assets are valued at historic cost less depreciation and have not been revalued as, in the opinion of the Council, such adjustment would not be material.

#### (b) Grants for European Union (EU) projects

##### *Income:*

The Council receives grant income relating to EU projects from two sources. Grant income from the Welsh Assembly Government in support of European Social Fund projects is credited to the general fund in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the operating cost statement in the year in which expenditure is defrayed.

##### *Expenditure:*

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

#### (c) Funding

Grant in aid is received from the Welsh Assembly Government to fund general revenue and capital activities. This amount of grant in aid is regarded as financing and is credited to the general fund 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 and capital funding provided to Higher Education Institutions, are brought to account when paid. In the opinion of the Council, this treatment achieves in all material respects a match between grant funding brought to account and the pattern of financial activity at the Higher Education Institutions.

#### (e) Notional charges

##### *Cost of Capital:*

As directed by Welsh Ministers, a notional capital charge reflecting the cost of capital employed, is included in operating costs and calculated at 3.5% (2007-08 – 3.5%) of capital employed.

#### (f) Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension (CSP) arrangements. The Council recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the CSP arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSP arrangements.

#### (g) Tangible fixed assets

IT equipment costing more than £500 and any other fixtures, fittings or equipment costing more than £1,000 are capitalised.

Depreciation is provided on all tangible 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 depreciation is charged in the year of acquisition.

IT equipment	- 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

As the Council is not registered for VAT, all transactions in the accounts are stated inclusive of any attributable VAT.

### (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 debtors 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 creditors are not interest bearing and are stated at their nominal value.

## 2. Income from activities

	2009	2008
	£'000	£'000
Welsh Assembly Government – Open University student support funds (a)	-	81
European Union – European Social Fund	15	-
Office of Science & Innovation – Science Research Investment Fund	-	12,482
Department for Innovation, Universities & Skills – Research Capital Investment Fund	7,520	-
	7,535	12,563

(a) These funds were received in 2007-08 from the Welsh Assembly Government for onward distribution to the HE sector. Principally, these funds existed to provide financial assistance to students in hardship.

### 3. Funding of higher education

	2009			2008
	Recurrent	Capital	Total	Total restated
	£'000	£'000	£'000	£'000
<b>Higher Education Institutions</b>				
Aberystwyth University	35,842	1,422	37,264	38,943
Bangor University	37,300	1,327	38,627	38,048
Cardiff University	119,783	3,880	123,663	125,041
Swansea University	44,263	1,599	45,862	48,858
University of Wales, Lampeter	7,050	279	7,329	7,733
Glyndŵr University (see (a) below)	17,737	857	18,594	17,466
University of Wales, Newport	21,253	1,073	22,326	22,113
University of Wales Institute, Cardiff	28,953	1,454	30,407	30,539
Swansea Metropolitan University	15,926	841	16,767	16,667
Trinity College Carmarthen	8,790	324	9,114	8,011
University of Glamorgan	56,238	6,875	63,113	58,367
University of Wales Registry	609	-	609	769
Open University	8,591	430	9,021	8,850
<b>Sub-total</b>	<b>402,335</b>	<b>20,361</b>	<b>422,696</b>	<b>421,405</b>
<b>Further Education Institutions</b>				
Bridgend College	72	-	72	99
Coleg Sir Gâr	1,110	-	1,110	1,115
Coleg Llandrillo	1,298	-	1,298	1,291
Coleg Menai	60	-	60	59
Neath Port Talbot College	115	-	115	112
Coleg Morgannwg	-	-	-	60
Swansea College	44	-	44	32
<b>Sub-total</b>	<b>2,699</b>	<b>-</b>	<b>2,699</b>	<b>2,768</b>

	2009			2008
	Recurrent	Capital	Total	Total restated
	£'000	£'000	£'000	£'000
<b>Other Organisations</b>				
Department for Children, Schools and Families	49	-	49	49
Economic and Social Research Council	1,250	-	1,250	690
Engineering and Physical Sciences Research Council	393	-	393	-
Equality Challenge Unit	45	-	45	45
Expotel Hotel Reservations	23	-	23	-
The Gus John Partnership	-	-	-	26
Higher Education Funding Council for England (HEFCE)	3,224	315	3,539	3,661
HERO Ltd	30	-	30	29
The Higher Education Academy	991	-	991	894
HW Corporate Finance	54	-	54	-
Innovas Consulting	28	-	28	-
Institute of Physics	186	-	186	-
JANET (UK) Ltd	374	1,142	1,516	348
Nigel Brown Associates	48	-	48	-
Quality Assurance Agency	199	-	199	232
The Royal Society of Chemistry	186	-	186	-
The Royal Academy of Engineering	170	-	170	-
SQW Ltd	43	-	43	-
TAC UK Ltd	-	31	31	-
Universities UK	36	-	36	56
University of Birmingham	186	-	186	-
Other	554	5	559	506
<b>Sub-total</b>	<b>8,069</b>	<b>1,493</b>	<b>9,562</b>	<b>6,536</b>
<b>Total</b>	<b>413,103</b>	<b>21,854</b>	<b>434,957</b>	<b>430,709</b>
<b>Less ESF funded expenditure (see note 5)</b>	<b>(149)</b>	<b>-</b>	<b>(149)</b>	<b>-</b>
<b>Total</b>	<b>412,954</b>	<b>21,854</b>	<b>434,808</b>	<b>430,709</b>

(a) In July 2008, North East Wales Institute changed its name to Glyndŵr University.

## 4. Grants to institutions

Included in these accounts are grants to institutions, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education institutions ends on 31 July and their audited accounts are provided to HEFCW by 31 December. A review by Council staff of institutions' 2007/08 financial statements confirmed that each institution's external auditors had considered that grants had been used for their

intended purpose and no adjustments to grants were necessary. Additionally, the audit of student numbers carried out in the summer of 2008 did not lead to any material adjustments. Any adjustment arising from the audit of 2008/09 accounts and student numbers, will be made by the Council in future years.

The Council confirms that grants it has received from the Welsh Assembly Government have been used for their approved purposes.

## 5. Expenditure for other purposes

	2009	2008
	£'000	£'000
Open University student support funds (a)	-	81
European Social Fund (b)	149	-
Science Research Investment Fund (c)	-	23,244
Research Capital Investment Fund (c)	23,596	-
	<b>23,745</b>	<b>23,325</b>

(a) This expenditure relates to the onward distribution of funds from the Welsh Assembly Government for the purpose of providing financial assistance to students in hardship.

(b) The amounts relating to grant payments made under the European Social Fund (ESF) are subject to separate audits. Any adjustment arising from these audits will be accounted for in future years.

(c) An analysis of research funding expenditure by higher education institution is given below:

	2009	2008
	£'000	£'000
Aberystwyth University	1,917	2,307
Bangor University	2,812	2,794
Cardiff University	14,133	13,379
Swansea University	3,207	3,122
University of Wales, Lampeter	265	334
Glyndŵr University	118	57
University of Wales, Newport	104	116
University of Wales Institute, Cardiff	298	353
Swansea Metropolitan University	24	23
University of Glamorgan	656	678
University of Wales Registry	62	81
	<b>23,596</b>	<b>23,244</b>

6. Administration costs	2009	2008
	£'000	£'000
Accommodation costs	362	357
Office costs	65	61
Bought in services	22	16
Auditors' remuneration – Annual audit fee of the HEFCW	17	16
Auditors' remuneration – Additional assurance report work	4	4
Council members' travel and subsistence costs	5	10
Council members' meeting costs	19	20
Staff travel and subsistence costs	28	36
Staff related expenditure on training, recruitment etc.	180	89
Information technology costs	89	99
	791	708

Administration costs exclude £18k charged to programme recurrent costs (2008 – £22k).

7. Staff costs (a) Analysis	2009			2008		
	Staff	Council Members (inc Chief Executive)	Total	Staff	Council Members (inc Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,913	183	2,096	1,834	172	2,006
Social security costs	150	15	165	146	13	159
Other pension costs	389	26	415	367	27	394
Redundancy costs	-	-	-	53	-	53
Total payroll costs	2,452	224	2,676	2,400	212	2,612
Less costs charged to programme recurrent costs	(480)	-	(480)	(426)	-	(426)
Administration payroll costs	1,972	224	2,196	1,974	212	2,186

## (b) Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HEFCW is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers' contributions of £414,268 were payable to the PCSPS (2007-08 £394,150) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands.

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

## (c) Average number of staff employed

The Higher Education Funding Council for Wales employed an average of 51 full time equivalent staff during the financial year ending 31 March 2009, as follows:

	2009	2008 Restated
	Numbers	Numbers
Senior Management	3	2
Strategic Development	19	-
Policy Teams	-	29
Finance & Corporate Services	24	22
Chief Executive's Office	5	-
	51	53
Staff with a permanent UK employment contract	50	51
Other staff – temporary	1	1
Other staff – seconded	-	1
	51	53

## 8. Notional charges

	2009	2008
	£'000	£'000
Cost of capital – 3.5% (2008 – 3.5%) of capital employed	202	237

## 9. Appropriations

	2009	2008
	£'000	£'000
Receipts surrenderable to the Welsh Assembly Government: Bank interest	268	460

## 10. Tangible fixed assets

	IT equipment	Fixtures & fittings	Electrical equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2008	370	201	50	621
Adjustment to cost during year	-	(33)	-	(33)
Additions	59	14	-	73
Disposals	(44)	-	(4)	(48)
At 31 March 2009	385	182	46	613
<b>Depreciation</b>				
At 1 April 2008	301	41	33	375
Adjustment to depreciation during year	-	(2)	-	(2)
Charged during year	60	16	11	87
Released on disposals	(44)	-	(4)	(48)
At 31 March 2009	317	55	40	412
Net book value at 31 March 2009	68	127	6	201
Net book value at 1 April 2008	69	160	17	246

The adjustments to cost and depreciation relate to an over-accrual for the original estimated cost of a new air conditioning system in 2007-08.

## 11. Intangible fixed assets

	Software licences
	£'000
<b>Cost</b>	
At 1 April 2008	29
Additions	1
At 31 March 2009	30
<b>Amortisation</b>	
At 1 April 2008 and at 31 March 2009	29
Net book value at 31 March 2009	1
Net book value at 1 April 2008	-

## 12. Debtors

	2009	2008
	£'000	£'000
Trade debtors	-	1
Prepayments and accrued income	195	158
Balances with other central government bodies	17	685
	212	844

### 13. Creditors: Amounts falling due within one year

	2009	2008
	£'000	£'000
Trade creditors	-	-
Accruals	796	769
	796	769

### 14. Lease obligations

	2009	2008
	£'000	£'000
Amounts charged to the operating cost statement for operating lease rentals in respect of accommodation	162	157
Annual commitment on leases expiring within:		
One year	-	-
Two to five years	-	-
Over five years	160	164

### 15. Capital commitments

	2009	2008
	£'000	£'000
Contracted	-	-

### 16. Financial commitments

	2009	2008
	£'000	£'000
Revenue grants (a)	150,177	143,623
European projects (b)	12,158	23
	162,335	143,646

(a) This amount will be funded by grant in aid from the Welsh Assembly Government to July 2009.

(b) European projects will be funded as follows:

	2009	2008
	£'000	£'000
European Social Fund grants	12,158	23
	12,158	23

The European projects also have financial commitments of £4,908k to be funded by external match funding contributions from Higher Education institutions and small and medium sized enterprises.

## 17. Losses and special payments

	2009	2008
	£	£
Fruitless payments	293	249

## 18. Related party transactions

The Welsh Assembly Government is regarded as a related party. During the year, HEFCW has had various material transactions with the Welsh Assembly Government for which it is regarded as the parent Department. The following Council members and members of senior management have entered into relationships or transactions that are considered to be related parties, and which are shown in the table below:

Name	Relationship
Mr Roger Thomas (Chair of Council)	<ul style="list-style-type: none"> <li>◆ Member of steering group for governing bodies and equality project, Equality Challenge Unit</li> <li>◆ Member, Department for Children, Education, Lifelong Learning &amp; Skills Ministerial Advisory Group; Review of Higher Education in Wales</li> <li>◆ Honorary Doctor, University of Glamorgan</li> </ul>
Mr David Allen (Council member)	<ul style="list-style-type: none"> <li>◆ Board member &amp; Chair of Audit Committee, Leadership Foundation for Higher Education</li> <li>◆ Director of INTO University Partnerships Limited</li> <li>◆ Member of Quality Assurance Committee, University of Wales</li> </ul>
Dr Len Arthur (Council member)	<ul style="list-style-type: none"> <li>◆ Senior Lecturer; University of Wales Institute, Cardiff.</li> <li>◆ Son-in-law, European Commission, Framework 7 Consultation</li> </ul>
Dame Alexandra Burslem (Council member)	<ul style="list-style-type: none"> <li>◆ Chair of Executive Board &amp; Operational Board, British Council Education UK Partnership</li> <li>◆ Chair, Education Honours Committee</li> </ul>
Professor Anthony Hazell (Council member)	<ul style="list-style-type: none"> <li>◆ Director and Board Member, Quality Assurance Agency</li> <li>◆ Chair of Council, Nursing &amp; Midwifery Council</li> </ul>
Professor Katherine Oglesby (Council member)	<ul style="list-style-type: none"> <li>◆ Honorary Life Member, Universities Association of Lifelong Learning</li> <li>◆ Member of Strategic Advisory Committee on Widening Participation and Fair Access, The Higher Education Funding Council for England</li> </ul>
Mr RPV (Tim) Rees (Council member)	<ul style="list-style-type: none"> <li>◆ Member &amp; Chairman of Audit Committee, Representative Body of the Church in Wales.</li> </ul>
Professor Sir Brian Smith (Council member)	<ul style="list-style-type: none"> <li>◆ International ambassador, Cardiff University</li> </ul>
Professor D Garel Rhys, OBE (Council member)	<ul style="list-style-type: none"> <li>◆ Chairman, Economic Research Advisory Panel to Welsh Assembly Government</li> <li>◆ Emeritus Professor, Cardiff University</li> <li>◆ Ex-officio Member of Ministerial Advisory Group (DEIN)</li> <li>◆ Honorary Fellow, Swansea Metropolitan University</li> <li>◆ Daughter-in-law, Senior Lecturer at University of Wales, Newport</li> </ul>
Professor Nigel Stott, CBE (Council Member)	<ul style="list-style-type: none"> <li>◆ Emeritus Professor, Wales College of Medicine, Cardiff University.</li> </ul>
Mr Kenneth Richards	<ul style="list-style-type: none"> <li>◆ Executive Committee member, James Pantyfedwen Trust</li> <li>◆ Member, Aberystwyth University Investments Committee</li> </ul>
Professor Mari Lloyd-Williams	<ul style="list-style-type: none"> <li>◆ Son, student at Bangor University</li> <li>◆ Daughter, student at Cardiff University</li> </ul>
Mrs Pauline Thomas	<ul style="list-style-type: none"> <li>◆ Council Member, Association of School and College Leaders</li> </ul>
Professor Philip Gummatt (Chief Executive)	<ul style="list-style-type: none"> <li>◆ Wife, part-time tutor at Swansea Metropolitan University.</li> </ul>
Mr Richard Hirst (Director of Finance & Corporate Services)	<ul style="list-style-type: none"> <li>◆ Director of Higher Education and Research Opportunities (HERO) Limited.</li> </ul>

Any funds paid to the institutions and organisations noted above are detailed in note 3, otherwise the funds paid in the year were nil. None of the key managerial staff or other related parties has undertaken any material transactions with the Higher Education Funding Council for Wales.

## 19. Reconciliation of net operating costs for the year to net cash outflow from operating activities

	2009	2008
	£'000	£'000
Net operating costs	(454,292)	(444,741)
Amortisation charges	-	10
Depreciation charges	85	129
Decrease in debtors	607	592
Increase/(decrease) in creditors	52	156
<b>Net cash outflow from operating activities</b>	<b>(453,548)</b>	<b>(443,854)</b>

## 20. Reconciliation of net cash flows to movement in net funds

	2009	2008
	£'000	£'000
Decrease in cash	(376)	(229)
Net funds as at 1 April	6,001	6,230
<b>Net funds as at 31 March</b>	<b>5,625</b>	<b>6,001</b>
<b>Analysis of net funds:</b>		
Cash at bank and in hand	5,625	6,001

## 21. Financial instruments

Financial Reporting Standard 13: Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments has had during the period in creating or changing the risks HEFCW faces in undertaking its functions.

*Liquidity risks* – In 2008-09 £453m or 98.3% of HEFCW's income was derived from the Welsh Assembly Government (2007-08: £443.6m or 97.1%). Of the remaining income £7.8m or 1.7% was derived from bank interest and income from activities (2007-08: £13.1m or 2.9%). HEFCW does not consider that its general activities are exposed to any significant liquidity risk, and is satisfied that future income is sufficient to meet its commitments.

*Interest rate risks* – Cash balances which are drawn down from the Welsh Assembly 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 3.17% in the year (2007-08: 5.11%). The cash balance at the year end was £5.625m. HEFCW does not

consider that its general activities are exposed to significant interest rate risks.

*Foreign currency risk* – The general activities of HEFCW are not exposed to any significant foreign exchange risks.

*Cash flow risk* – HEFCW is not exposed to any significant cash flow risks.

## 22. Post balance sheet events

The Accounting Officer authorised these financial statements for issue on 14 July 2009.