

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2015



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

Annual report

Strategic report

About HEFCW

The Higher Education Funding Council for Wales (HEFCW) was established under the Further and Higher Education Act 1992. From 1 July 1999, we became a sponsored body of the newly-established National Assembly for Wales. We subsequently became known as an Assembly Government Sponsored Body (Government of Wales Act 2006) and finally, a Welsh Government Sponsored Body (WGSB) in May 2011.

We are an intermediary body between the Welsh Government and the higher education (HE) sector in Wales, and we provide expert advice to the Welsh Government on the sector.

We regulate fee levels at universities, ensure a framework is in place for assessing the quality of higher education and scrutinise the financial, governance and risk performance of universities.

We distribute funding for HE provided by the Welsh Government. This includes:

- The tuition fee grant for Welsh domiciled full-time undergraduates (this ended on 31 March 2015).
- Teaching, research and other funding to Welsh universities.
- HE courses at further education colleges.

We support the HE system in Wales in delivering Welsh Government priorities, securing high quality learning, teaching and research and contributing to Welsh culture and society and the economy.

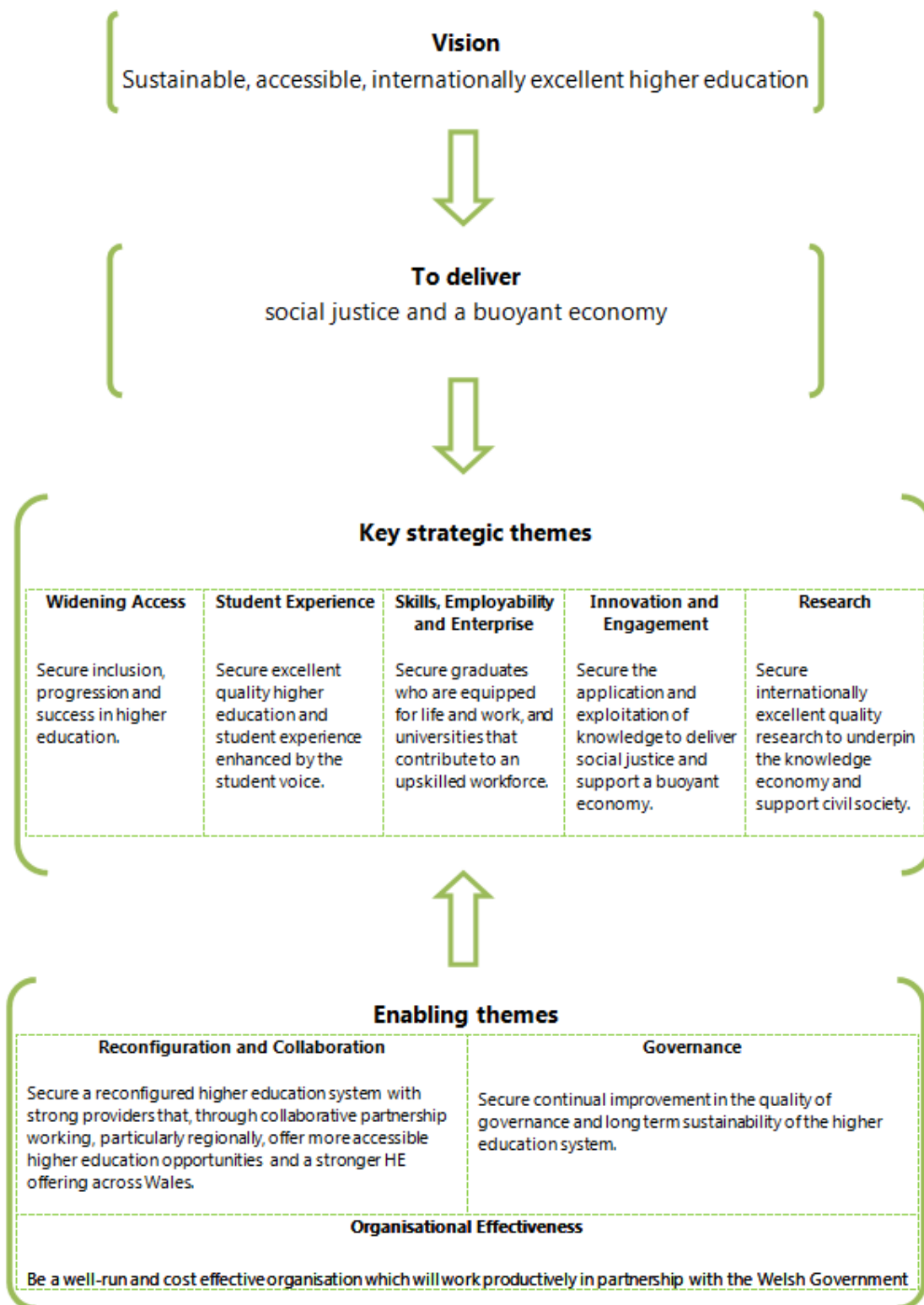
We also accredit providers of initial teacher training (ITT) for school teachers. Our responsibilities for ITT are covered under the Education (School Teachers' Qualifications) (Wales) Regulations 2004 and the Education Act 2005.

The key elements of our strategy have, throughout the year, been those set out in our corporate strategy for 2013-14 to 2015-16 and are set out below.

Strategic framework

Our strategic framework is set out in the HEFCW Corporate Strategy 2013-14 to 2015-16 as follows:

HEFCW's strategic framework



Progress against Corporate Strategy measures

There are seventeen targets in our Corporate Strategy 2013-14 to 2015-16¹, baseline data for which was 2011/12. As a means of monitoring our progress over the last three years against the targets, we set out below the latest available information for the academic year to 31 July 2014. The Welsh Government recently agreed to an extension of our current Corporate Strategy to 2016-17², in effect providing a further year to reach the targets.

Looking at 13/14 data and rolling this performance forward, it is possible that the following targets will be met: Participation (Target (T2)); Retention (T3, Full-time); Welsh medium (T6) (5 credit target only); Collaborative research income (T13); and REF (T15). However, institutional forecasts are less optimistic and we may see performance slip in some of these targets.

A number of targets are comparative to UK performance or await data on performance and cannot therefore be assessed. This applies to Part-time (T4); NSS (T5); Overseas students (T7); Quality (T8); ITT (T9); Employment (T10); Research Council income (T14); Income (T16) and Governance (T17).

Performance based on 2013/14 and institutional forecasts indicates that several targets will not be met: Widening access (T1) (although this may be just missed); Retention (T3, Part-time); Welsh medium (T6) (40 credits); Employability (T11); and CPD (T12).

We will continue to monitor progress and work with the higher education sector to encourage improved performance in these policy areas, noting that changes to our powers and funding constrain the extent to which we are able to exercise leverage in these areas.

Progress against strategic measures

	Baseline	Progress	Progress
1	A rise in the proportion of all Welsh domiciled students studying higher education courses at higher education institutions and further education institutions in Wales who are domiciled in the bottom quintile of Lower Super Output Areas in the Welsh Index of Multiple Deprivation or in Communities First cluster areas, from 20.1% in 2011/12 to 22.4% in 2016/17 (a rise of 11.6%)		
	*Baseline and target have been amended to reflect late inclusion of an area in the Communities First initiative		
	2011/12	2012/13	2013/14
	20.1%	20.7%	20.9%
2	An increase in the proportion of all UK domiciled students studying higher education courses at higher education institutions and further education institutions in Wales who are from UK low participation areas from 33.2% in 2011/12 to 35.3% in 2016/17 (a		

¹ www.hefcw.ac.uk/documents/publications/corporate_documents/Corporate%20Strategy%202013-14-2015-16.pdf

² Paragraph 10 of [W15/02HE](#)

	Baseline	Progress	Progress
rise of 6.3%)			
	2011/12	2012/13	2013/14
	33.2%	34.0%	34.3%
3 (a) A decrease in the percentage of full-time undergraduate students no longer in higher education following year of entry from 9.2% in 2011/12 to 8.2% in 2016/17 (a drop of 10.7%)			
	2011/12	2012/13	2013/14
	9.2%	7.5%	7.5%
3 (b) A decrease in the percentage of part-time first degree students no longer in higher education two years following year of entry from 33.7% in 2011/12 to 30.1% in 2016/17 (a drop of 10.7%)			
	2011/12 (2009/10 entry)	2012/13 (2010/11 entry)	2013/14 (2011/12 entry)
	33.7%	30.9%	35.5%
4 The percentage change in the number of part-time students attending higher education courses in Welsh higher education institutions and further education institutions to be equal to, or greater than, the comparable figure for the UK			
	2010/11 to 2011/12 % growth	2011/12 to 2012/13 % growth	2012/13 to 2013/14 % growth
	Welsh institutions	Welsh institutions	Welsh institutions
	-2.2%	-4.8%	-3.4%
	UK institutions	UK institutions	UK institutions
	-6.0%	-13.8%	-7.3%

	Baseline	Progress	Progress
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5 The three year rolling average score for Wales in the National Student Survey 'overall satisfaction'* question will be **equal to, or greater than the comparative score for the UK**

* 'Score' means percentage of students who agreed with 'Overall, I am satisfied with the quality of my course'.

	2010 to 2012 3-year rolling average	2011 to 2013 3-year rolling average	2012 to 2014 3-year rolling average
Welsh institutions	83.3%	83.7%	84.3%
UK institutions	83.3%	84.3%	85.3%

6 The number of students studying higher education courses at higher education institutions and further education institutions in Wales undertaking at least 5 credits of their course through the medium of Welsh, per annum, will rise from 4,335 in 2011/12 to 5,600 in 2016/17, including a rise from 2,269 to 3,030 in the number of those studying at least 40 credits per annum

	2011/12	2012/13	2013/14
5+ credits	4,335	4,881	4,858
40+ credits	2,269	2,359	2,445

	Baseline	Progress	Progress
7 The percentage change year on year in the number of overseas students attending higher education courses in Welsh higher education institutions will be equal to, or greater than, the comparable figure for UK higher education institutions (excluding London and the South East)			
	2010/11 to 2011/12 % growth	2011/12 to 2012/13 %growth	2012/13 to 2013/14 % growth
	Welsh HE institutions -1.5%	Welsh HE institutions -1.4%	Welsh HE institutions 7.4%
	UK HE institutions (excl London and SE England) 2.6%	UK HE institutions (excl London and SE England) 0.7%	UK HE institutions (excl London and SE England) 4.1%
8 All institutions being reviewed in the Corporate Strategy period to receive QAA Institutional Review outcomes of ' commended ' or ' Meets UK expectations ' for all judgements '			
		2013/14	2014/15
	Number in assessed period	1	3
	Number 'commended' or 'Meets UK expectations'	1	3

	Baseline	Progress	Progress
<p>9 Welsh Government intake targets for ITT undergraduate primary, postgraduate primary, undergraduate secondary, postgraduate secondary priority and postgraduate secondary other subjects to be met annually</p> <p>NB: Intake targets are monitored at individual centre, phase, level and subject using HESES data and if any individual target is over-recruited to by more than 5% a penalty is applied. No penalties were applied in 2012/13 or 2013/14. Under-recruitment is allowed but is monitored³. The Corporate Strategy target is monitored at sector level using HESA data.</p>			
		2012/13	2013/14
	Primary UG	2%	-1%
	Primary PG	4%	2%
	Secondary UG	-15%	-52%
	Secondary PGCE- priority	-18%	-12%
	Secondary PGCE - other	3%	-1%
<p>10 The proportion of leavers from Welsh higher education institutions obtaining undergraduate qualifications through full-time or part-time study who were employed, studying or both six months after leaving will be equal to, or greater than, the UK proportion</p>			
	2010/11	2011/12	2012/13
	Welsh institutions 92.2%	Welsh institutions 92.5%	Welsh institutions 93.5%
	UK institutions 91.5%	UK institutions 91.9%	UK institutions 93.1%

	Baseline	Progress	Progress	
11 The proportion of leavers who were working or working and studying who were working in a managerial/professional job six months after leaving to rise from 67.5% in 2010/11 to 72.7% in 2016/17 (a rise of 7.7%)				
	2010/11	2011/12	2012/13	
	67.5%	66.6%	68.4%	
12 The total number of learner days delivered by Welsh higher education institutions for continuing professional development will rise from 202,498 in 2011/12 to 226,000 in 2016/17 (a rise of 11.6%)				
	2011/12	2012/13	2013/14	
	202,498	213,534	208,742	
13 The total amount of income from collaborative research involving both public funding and funding from business will rise from £65,294k in 2011/12 to £72,000k in 2016/17 (a rise of 10.3%)				
	2011/12	2012/13	2013/14	
	65,294k	70,006k	83,135k	
14 The annual percentage change in income from Research Councils will exceed the comparable figure for UK higher education institutions (excluding the 'golden triangle' of Oxford, Cambridge and London)				
	2010/11 to 2011/12 % growth	2011/12 to 2012/13 %growth	2012/13 to 2013/14 % growth	
	Welsh HE institutions	Welsh HE institutions	Welsh HE institutions	
	-3.6%	-10.1%	5.7%	
	UK HE institutions	UK HE institutions	UK HE institutions	
	-4.0%	1.6%	6.6%	
15 An increased proportion of research submitted to REF by Welsh higher education institutions will achieve 3* and 4* in the Research Excellence Framework 2014 from a baseline of 35% at 3* and 14% at 4* in the 2008 Research Assessment Exercise.				
	2008 RAE		2014 REF	
	4*	14%	4*	30%
	3*	35%	3*	47%

	Baseline	Progress	Progress
16 At least 75% of the Welsh higher education institutions to have an annual income in excess of the UK median, with no institution to be in the lower quartile by 2016/17			
	2011/12	2012/13	2013/14
	In excess of UK median	In excess of UK median	In excess of UK median
	40%	50%	50%
	(4 out of 10 institutions)	(4 out of 8 institutions)	(4 out of 8 institutions)
	In lower quartile	In lower quartile	In lower quartile
	30%	13%	13%
	(3 out of 10 institutions)	(1 out of 8 institutions)	(1 out of 8 institutions)
17 No higher education institution to be classified as 'high risk' in accordance with HEFCW institutional risk review processes			
	2011/12	2012/13	2013/14
	0	0	1

Progress against Welsh Government priorities identified in our operational plan

The tasks in our operational plan are largely based on priorities identified by the Welsh Government in its annual remit letter to us. Quarterly updates and monitoring meetings with the Welsh Government ensure a continual assessment of our achievements and give us an opportunity to address areas that might not be progressing satisfactorily.

There was a series of discussions in 2014 about the fit between our operational plan and the Welsh Government's 2014-15 remit letter to us, and whether we had interpreted the requirements of the Welsh Government correctly. In our November 2014 quarterly monitoring meeting with the Welsh Government, we received further explanation about the tasks detailed in the 2014-15 remit letter. Following these discussions, we resubmitted a revised operational plan to the Welsh Government on 11 December 2014. We received confirmation on 25 March 2015 that the Education Minister had noted the operational plan.

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Of the 34 actions identified in the 2014-15 operational plan, 26 were fully achieved within the original timescales given and the remaining eight were completed by the end of the financial year.

As some of the highlights taken from the operational plan, we:

- Published a new 'strategic approach' to widening access to higher education.
- Carried out an evaluation of the outcomes of the Coleg Cymraeg Cenedlaethol.
- Reviewed our strategy for learning and teaching through technology.
- Contributed to steering and monitoring the delivery of European Structural and Investment Funds, to ensure that the higher education sector takes advantage of access to competitive research funds (including Horizon 2020) and to contribute to the higher level skills needs of Wales.
- Contributed financially to the Sêr Cymru programme, which establishes expert science research teams at universities, and reviewed our method for funding research in Wales in light of the new Research Excellence Framework 2014 outcomes.
- Worked with the Higher Education Funding Council for England (HEFCE) on a brand new consultation on the future of assessing higher education quality in England, Wales and Northern Ireland.

As an organisation we:

- Consulted on our new process of engaging strategically with universities.
- Published *Higher Education Nation: Universities for Wales* which set out the contribution to Wales of Welsh higher education to the Welsh Government's programme of government, together with some of the challenges.
- Submitted our response to Professor Sir Ian Diamond's review of higher education funding and student finance arrangements in Wales.
- Reported against our Welsh Language Scheme and Strategic Equality Plan, and on efficiencies against procurement expenditure which we were able to influence.
- Planned for our increased regulatory role and worked with Welsh Government officials on the HE Bill Project Board to ensure successful delivery of the new regulatory framework brought about by the Higher Education (Wales) Act 2015.

Our strategic risks

A revised corporate risk register of our key strategic risks was agreed by our Council in March 2015, and is subject to regular review.

The corporate risk register is structured to reflect all significant risks assessed by our teams in relation to their objectives and projects, including all appropriate corporate and operational plan objectives. These identified risks, were they to materialise, would have a significant negative impact on us and/or on the higher education sector in Wales as a whole.

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Consideration of these risks allows us to assess the continuing validity of our corporate strategy and operational plan against changes in circumstance and to make adjustments where necessary. This does not mean we expect the risks to materialise; rather, it indicates that these are areas of risk which we need to be aware of and respond to, as appropriate, in order to perform our role effectively.

Risk area	Main risk(s)
Sustainability and assurance	<ul style="list-style-type: none"> • Higher education providers fail to maintain effective regional partnerships. • HE institutions unable to maintain their long term financial sustainability.
Widening access	<ul style="list-style-type: none"> • HE sector fails to deliver part-time provision to meet needs of learners/employers. • HE sector unable to recruit competitively. • Failure to meet our Corporate Strategy targets.
Student experience	<ul style="list-style-type: none"> • HE sector fails to meet our Corporate Strategy target for Welsh medium provision. • HE sector's quality of teaching suffers in context of our funding changes. • An HE institution fails to comply with UKVI requirements. • Failure to secure effective delivery of initial teacher training. • HE sector not effective in enhancing student experience.
Research	<ul style="list-style-type: none"> • HE sector fails to meet Welsh Government expectations of improved research performance and the related expectation of an increase in UK research council income.
Policy delivery	<ul style="list-style-type: none"> • Re-procurement of quality assessment services destabilises quality approaches in HE sector.
HEFCW operating risks	<ul style="list-style-type: none"> • Workload increases beyond staff capacity. • Welsh Government policy fails to appreciate HE dimension of policy areas. • Our funding, post-student fee grant changes, is inadequate to address core priorities. • Higher Education (Wales) Act 2015 unable to compensate for the loss of the policy leverage resulting from reduced funding. • Risk of continuing increase in Welsh domiciled students choosing to study elsewhere, especially in the light of the lifting of the student number cap in England. • Higher Education (Wales) Act 2015 unable to be effectively implemented as operational issues arise. • Capacity to operate within future running costs' budgets and to meet additional responsibilities arising from the HE Act. • Failure to secure delivery of effective fee plans. • Inability to agree and implement pay proposals for 2013-14 and 2014-15 due to affordability and sustainability and/or resistance from the Welsh Government.

Accounts

These accounts have been prepared in accordance with the direction made by Welsh Ministers with the consent of HM 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 us.

The accounts are prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

These statements cover our twenty-second reporting period and reflect the continuing development of our systems and policies.

Financial review

In delivering the strategic aims and objectives set out in the previous pages, we received a total of £362.5 million of grant in aid funding from the Welsh Government (2013-14: £380.6 million). This represents an annual decrease in overall funding of 4.8%. A larger proportion of the funding has been paid as student tuition fee support grants to the Student Loans Company (SLC) amounting to £194.2 million (2013-14 : £129.3 million), this being the third financial year of the new arrangements for funding students. This has resulted in a further reduction in the funds being distributed by us on a discretionary basis.

In addition to grant in aid funding from the Welsh Government, £20.5 million of other income was receivable in 2014-15 (2013-14: £11.6 million).

Total expenditure in 2014-15 was £376.8 million (2013-14: £397.6 million). Of this, £374.2 million (2013-14: £395.2 million) relates to the funding of the higher education and £2.6 million (2013-14: £2.4 million) to our own costs incurred in managing and distributing grant funding to the higher education sector and to the SLC.

The net operating costs for the year were £356.3 million (2013-14 net operating costs £386.0 million). The cumulative taxpayers' equity general fund at 31 March 2015 after crediting the grant in aid funding referred to above, was £12.7 million (31 March 2014: £6.4 million). The financial accounts will always record a net operating costs result for the year as a consequence of the crediting of funding received to the taxpayers' equity general reserve in the Statement of Financial Position. Our activities are also planned to ensure that our cash carry forward at the financial year end remains within the two per cent of total grant in aid for the year allowed by the Welsh Government.

Expenditure on property, plant and equipment amounted to £100k in the year.

Employee involvement

Regular staff meetings and seminars help ensure good internal communications and provide opportunities for staff to contribute to the way we work. A Works Council, through which representatives can raise issues of concern to staff and which includes representation from the PCS union, meets on a regular basis. A formal consultation process is in place which supports the consultation mechanism for the Works Council and also the process for changes to policies and procedures.

In 2000, we achieved the Investors in People award. This award is periodically re-assessed with the latest taking place in March 2012 when we were found to be still

meeting the required standard. This is due to be re-assessed in June 2015.

We are committed to developing our equality and diversity policies to ensure that all employees are treated fairly, irrespective of any protected characteristic as defined by the Equality Act.

Our policy on recruitment is based on the Civil Service Recruitment Principles of appointments being made on merit on the basis of fair and open competition.

We have achieved the 'Two Ticks' disability symbol and we are resolved to meeting the five commitments regarding recruitment, training, retention, consultation and disability awareness. This was re-assessed in March 2015.

In 2009, we became the first organisation in Wales to be awarded the Welsh Government's small workplace health award at silver level. The award recognises measures taken in smaller organisations to help improve the health and well-being of staff. We were commended for the range of materials and resources available to employees, and the policies and procedures in place which promoted physical and mental health and well-being. Due to the reduction in staff resources during 2012-13, we revised our award target and were awarded the bronze standard in November 2012.

Community and human rights matters

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

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

Sustainability report

Our primary role is to develop and sustain internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely. The 44 staff, plus Council members, who make up the organisation operate from a single shared office building in north Cardiff. Our main direct environmental impact arises from the use of the office building and business travel.

We have been recording our environmental performance in relation to business travel since 2007-08. This has been supported by the use of an environmental management system and is developed and managed through our Health and Safety and Environmental Management Group.

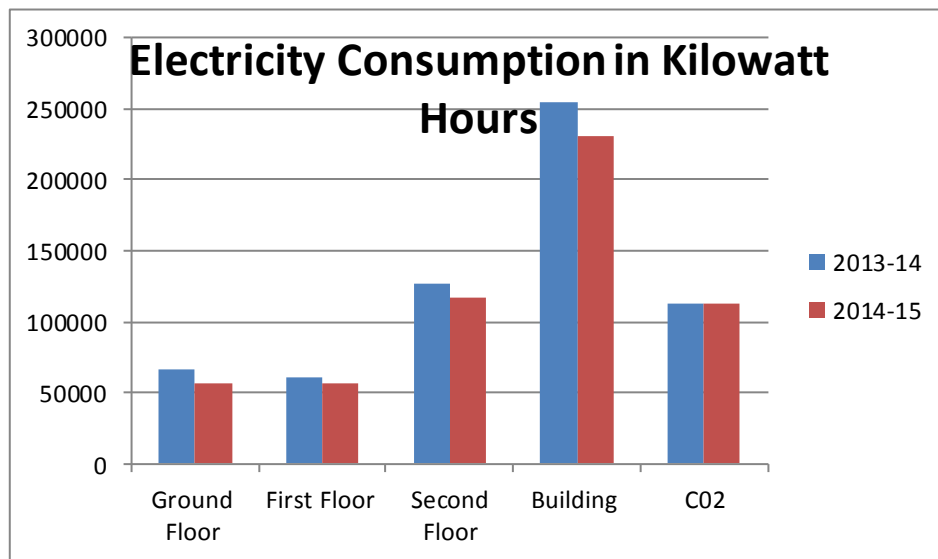
Electricity Consumption

In 2013-14 we were successful in persuading the landlord to introduce separate sub-metering for each floor of the building which provides detailed and accurate electricity consumption for each part of the building as well as accurate billing. In 2014-15 the landlord installed voltage optimisation equipment which undoubtedly accounts for some of the energy savings achieved in electricity consumption which has reduced by 9.5%, although this has also been assisted by a relatively mild winter with a modest reduction in heating degree days recorded from 1,846 in the previous year to 1,786⁴.

⁴ www.eci.ox.ac.uk/research/energy/degreedays-weekly-weekly.php weekly data recorded at St Athan

The graph at Table 1 below indicates no substantive change in CO2 (Kg). This is as a result of an increased CO2 factor being applied to electricity consumption in 2014-15⁵.

Table 1

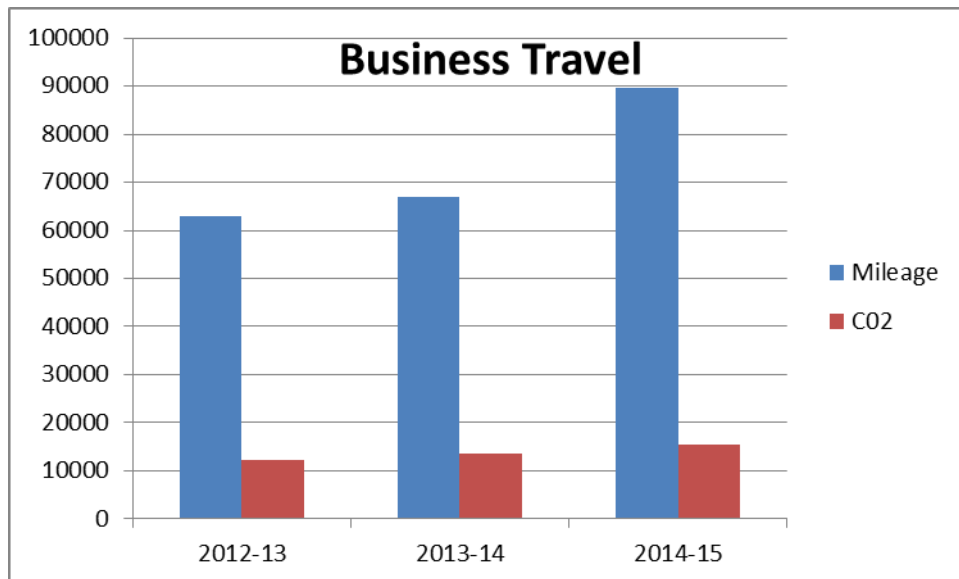


Business travel

Carbon emissions associated with business travel reduced by 60% during the period 2008-09 to 2012-13. In 2013-14 business travel mileage increased by 6%, and this pattern has been repeated in 2014-15 with a significant increase in business travel mileage of 34%. The data recorded indicates a significant increase in both rail travel by staff, due to more active participation in the attendance of meetings around the UK, and in mileage travelled by Council members due to the geographical location of the new Chair and other new members appointed towards the end of 2013-14. There was, however, a reduction in the use of staff private cars. This in turn has meant a smaller pro-rata increases in CO2 (Kg) of just over 13%. The current year has also seen a reduction in the recorded use of video conferencing, with recorded savings of 7,226 miles against 14,928 in the previous year.

Business travel is highly dependent upon staff numbers and the changing business requirements of the organisation. It is encouraging to note that staff are making increased use of rail travel. It is unclear why the use of video conferencing has declined; in part this could be explained by the higher level of travel arising from new roles, and the need for face to face engagement at a time of significant change for both the higher education sector and for us.

⁵ www.ukconversionfactorscarbonsmart.co.uk



Waste minimisation

Redundant ICT constitutes a significant potential source of hazardous waste for us. Recent changes in legislation require manufacturers to recycle waste electronic equipment. However, much of the surplus ICT equipment generated by us is capable of providing further service in a less technically demanding context. During the last year nearly 50 computer monitors, 10 servers, and 3 printers have been checked and certified for reuse through the ICT recycling contract.

We also record and monitor purchases of paper, as well as ensuring photocopiers and printers default to two-sided printing. Use of paper has continued to decline and in 2014-15 was recorded as 345 reams - just over 44% of the consumption first recorded in 2007-08.

We will also continue to provide a system of segregated waste collection. In terms of waste management, we maintain basic records to monitor paper usage and the quantity of bags shredded and other waste paper disposals. The recycling of waste by staff is encouraged by providing recycling receptacles within the office to separately deposit plastic, cardboard, paper and batteries. We will continue to promote recycling where practical.

Future developments

2014-15 is the final financial year in which we will have been responsible for paying the tuition fee grant for Welsh domiciled students via the Student Loans Company. In future, this will be paid directly by the Welsh Government. We will look again at the way in which we deploy the remaining funding, which is now very much reduced from the funds available prior to the introduction of the current fees and funding regime. We will also continue to engage with the current Welsh Government commissioned review of higher education funding, chaired by Professor Sir Ian Diamond, whose interim report is expected in the autumn of 2015. Funding levels are also expected to come under continuing pressure as part of ongoing spending reviews at both national and UK level which could lead to further reductions in future years.

The new Higher Education (Wales) Act 2015 became law in Wales on 12 March 2015 and provides us with a range of new regulatory powers. These will come fully into force from 2017, with some starting during 2015-16. We will be working with the Welsh Government on the implementation arrangements for the Act over the coming months and years.

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We have continued to participate within the Welsh Government working group established to support the development of the Future Generations legislation until this was disbanded in early 2015. This legislation has now become law and although a number of changes have been made, the processes for public bodies remain largely as originally proposed. We plan to run a trial to establish how this legislation could best be implemented in the organisation within the next year. We intend to carry this out before the introduction of this legislation to public sector bodies, but supported by the ongoing development of the statutory guidance which accompanies this legislation.

Dr David Blaney
Chief Executive and Accounting Officer
3 July 2015

Directors' report

Council membership

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

Chair

Mr David Allen OBE (*First term: 5 May 2014 to 4 May 2017*). *Former Registrar and Deputy Chief Executive of the University of Exeter*

Mr Roger Thomas OBE (*First term: 5 May 2008 to 4 May 2011; Second term: 5 May 2011 to 4 May 2014*). *Former Chair of Governors and Pro-Chancellor of the University of Glamorgan (now the University of South Wales)*.

Chief Executive (and Accounting Officer)

Dr David Blaney

Other Council members:

Name	Personal history	Term of office	Committee membership
Dame Alexandra (Sandra) Burslem Deputy Chair	Former Vice-Chancellor, Manchester Metropolitan University	First term: 01/12/08 to 30/11/11 Second term: 01/12/11 to 30/11/14 Third term: 01/12/14 to 30/11/17	Strategic Development Committee (Chair) Human Resources Committee Remuneration Committee
Mrs Bethan Guilfoyle CBE	Former Headteacher, Treorchy Comprehensive School	First term: 01/04/10 to 31/03/13 Second term: 01/04/13 to 31/03/16	Student Experience, Teaching and Quality Committee
Mr David Mason	Former Principal/Chief Executive, Coleg Gwent	First term: 01/04/10 to 31/03/13 Second term: 01/04/13 to 31/03/16	Audit and Risk Assurance Committee (Chair)

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Name	Personal history	Term of office	Committee membership
Professor Katherine (Leni) Oglesby OBE	Former Senior Deputy Vice-Chancellor, University of Teesside	First term: 01/12/08 to 30/11/11 Second term: 01/12/11 to 30/11/14 Third term: 01/12/14 to 30/11/17	Student Experience, Teaching and Quality Committee (Chair)
Professor Mark Smith	Vice-Chancellor, Lancaster University	First term: 01/01/13 to 31/12/15	Research, Innovation and Engagement Committee
Professor Stephen Tomlinson CBE	Former Vice-Chancellor, University of Wales College of Medicine	First term: 01/01/13 to 31/12/15	Research, Innovation and Engagement Committee
Professor Robin Williams CBE, FRS	Former Vice-Chancellor, Swansea University	First term: 01/08/09 to 31/07/12 Second Term: 01/08/12 to 31/07/15	Research, Innovation and Engagement Committee (Chair) Strategic Development Committee
Mr Ewart Wooldridge CBE	Former Chief Executive, Leadership Foundation for Higher Education	First term: 01/01/13 to 31/12/15	Human Resources Committee (Chair) Remuneration Committee Audit and Risk Assurance Committee

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

The Chief Executive is a member of the Strategic Development Committee.

Assessor appointed by Welsh Ministers

Mr Neil Surman

Head of Higher Education Division, Department for Education and Skills, Welsh Government

Register of interests

Details of Council members' declared interests are available on our website (www.hefcw.ac.uk) at: Home > Council and Committees > Council members.

Management board membership

The HEFCW Management Board is responsible for our management and operation.

It consists of the Chief Executive, the Director of Strategic Development, the Director of Institutional Engagement and the Head of Corporate Services.

Pension liabilities

Details of pension costs, pension schemes and pension liabilities are disclosed within the Remuneration Report, the accounting policy 1(e) and in note 13 to the accounts.

Sickness absence

We monitor sickness absence. At 1.31% of potential working time lost for 2014-15 (2013-14 – 2.17%), this is low compared to most other organisations in the public sector (average working time lost per CIPD Absence Management Annual Survey Report 2014 – Public Services 3.6%; Education 2.6%; Central Government 3.3%; Local Government 3.5%; Other Public Services 3.7%; Public sector workforce size 1-49, 2.1%; and UK (across all sectors) 5.8%).

Personal data related incidents

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

Audit

Our accounts 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 Notes 5 and 6 to these accounts.

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

Dr David Blaney
Chief Executive and Accounting Officer
3 July 2015

Remuneration report

Remuneration policy

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

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

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

Remuneration committee

We have 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 from the Council to consider matters affecting the pay of the Chief Executive in accordance with guidelines set by the Welsh Government.

Remuneration (including salary) and pension entitlements

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

Senior employees' remuneration (salary and pensions)*

Single total figure of remuneration

Name and position	2014-15 Salary	2013-14 Salary	2014-15 Pension benefits	2013-14 Pension benefits	2014-15 Total	2013-14 Total
	£'000	£'000	£	£	£'000	£'000
David Allen (Chair) appointed 5 May 2014	20-25	N/A	N/A	N/A	20-25	N/A
Roger Thomas (Chair) retired 4 May 2014	0-5	20-25	N/A	N/A	0-5	20-25
Dr David Blaney (Chief Executive)	115-120	115-120	16,607	97,860	135-140	215-220
Celia Hunt (Director of Strategic Development) – appointed 1 August 2013	75-80	45-50	43,511	41,174	120-125	90-95
Bethan Owen (Director of Institutional Engagement) – appointed 1 August 2013	75-80	45-50	39,151	8,340	115-120	55-60

	2014-15 £'000	2013-14 £'000
Band of highest paid member of staff (total remuneration**)	115-120	115-120
	£	£
Median total remuneration**	38,487	34,388
Ratio	3.1	3.4

NB There were no benefits in kind or bonus payments in either 2014-15 or in 2013-14 for the above.

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The total salary for David Allen for the year 2014-15 was £21,963 (for the period 5 May 2014 to 31 March 2015). Mr Allen was remunerated as a Council member in 2013-14 and up until he became Chair on 5 May 2014, at £5,076 per year. The total salary for Roger Thomas for the year 2014-15 was £2,209 (2013-14 - £24,264). Mr Thomas waived his right to his salary in both years and elected for payment to be made to a registered charity. The equivalent full year's salary in 2014-15 for both David Allen and Roger Thomas was £24,264.

The salaries shown for Celia Hunt and Bethan Owen in 2013-14 are for the period 1 August 2013 to 31 March 2014. The equivalent full year's salary for each was £75,000.

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

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid senior employee in their organisation and the median remuneration of the organisation's staff. The banded remuneration of our most highly paid senior employee in 2014-15 was £115,000 to £120,000 (2013-14: £115,000 to £120,000). This was 3.1 times (2013-14: 3.4) the median salary of all staff, which was £38,487 (2013-14: £34,388).

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

The median ratio has decreased slightly from 3.4 in the previous year to 3.1 due to the impact of a number staff salary increases, but without any change in the highest paid salary. Due to the nature of our work, we have a high proportion of staff at middle job levels, resulting in the median shown above.

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/15 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/15 £'000	CETV at 31/03/14 £'000	Real increase in CETV £'000
Roger Thomas	Chair – to 4 May 2014	N/A	N/A	N/A	N/A	N/A
David Allen	Chair – from 5 May 2014	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	55 - 60 pension	0 - 2.5 pension	838	785	10
Celia Hunt	Director of Strategic Development	15 - 20 pension plus 55 - 60 lump sum	0 - 2.5 pension plus 5 - 7.5 lump sum	396	338	38
Bethan Owen	Director of Institutional Engagement	15 - 20 pension	2.5 - 5.0 pension	240	192	25

Salary and pension disclosures*

Dr David Blaney and Bethan Owen were both members of the Premium defined benefit scheme during the year, whereas Celia Hunt was a member of the Classic defined benefit scheme, both schemes being part of the Principal Civil Service Pension Scheme. The Classic scheme benefits include the payment of an automatic lump sum on retirement, whereas the Premium scheme does not (see 'pensions' below).

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

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 us. Council members (excluding the Chair and Chief Executive) receive non-pensionable remuneration of £5,076 per annum.

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

* This information is subject to audit

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium, or 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and between 3.5% and 8.85% 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' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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: www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the scheme. Further details of this new scheme are available at

www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

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

Real increase in CETV

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

Broadly by analogy (BBA) pensions

A BBA pension arrangement entitles the recipient to benefits that are similar to those provided by the PCSPS classic scheme described above, and obliges both us and the member concerned, to make contributions in line with the PCSPS. We are responsible for funding future pension benefits and retaining pension contributions. A BBA pension is held by the former Chair of Council, Professor Sir Roger Williams.

Dr David Blaney
Chief Executive and Accounting Officer
3 July 2015

Statement of HEFCW's and the Chief Executive's responsibilities

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

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

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

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

HEFCW Governance Statement 2014-15

Scope of responsibility

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

Developments in-year

From academic year 2012/13 the Welsh Government introduced new tuition fee arrangements for higher education in Wales which resulted in significant changes in the way we fund institutions. An increasing proportion of our resources has been required to be allocated as tuition fee grant support for full-time undergraduate (FTUG) and post graduate certificate in education (PGCE) Welsh and EU domiciled students at institutions in Wales, and for FTUG/PGCE Welsh domiciled students at institutions in the rest of the UK. As a consequence, there has been a commensurate reduction in our grant allocations directly to institutions in Wales.

The level of tuition fee grant support which we have been required to make each year has been demand-led. We have had limited control over the quantum of these payments for Welsh and EU domiciled students studying in Wales, and no control over the quantum of these payments which follows Welsh domiciled students into the rest of the UK. The final annual amount of fee grant obligation has not been known until well into the academic year to which the allocation relates. However, we initially estimate that for 2014/15 academic year around 60% of our overall funding allocations for the year will be used for FTUG/PGCE tuition fee grant payments for Welsh domiciled students attending universities both within and outside of Wales, along with EU domiciled students studying in Wales. During the year, the funding of student tuition fee grant support was paid by us to the Student Loans Company (SLC). The SLC then made payments to higher education institutions in respect of their eligible Welsh students.

We were informed in January 2015 that the Minister for Education and Skills had decided that, from the beginning of FY 2015-16, the element of our grant funding associated with tuition fee grant payments for Welsh domiciled students would now pass directly from the Welsh Government to the Student Loans Company (SLC). Consequently our budget for 2015-16 will be reduced by 66%, corresponding to the amount which the Welsh Government has estimated will be needed to meet tuition fee grant commitments for the coming year.

Our remaining grant to higher education institutions in Wales is established from the balance of resources after estimated tuition fee grant payments have been allocated. This funding continues to be focused strategically to address both Welsh Government and our Council's priorities. However, the reduction in the balance of available funding is

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significantly affecting our policy leverage, and thus it is more difficult to find ways of ensuring delivery on key priority areas. The key mechanism which we currently have in place for doing so is our designated responsibility for approving Welsh institutions' fee plans. These plans set out their commitment to invest a reasonable proportion of their tuition fee income above the basic fee rate of £4,000 on measures to improve equality of opportunity and promote higher education. However, the Welsh Government has recognised that the policy shift away from our institutional grants to a system where a significant proportion of institutional income is derived from student tuition fees requires new legislation and a revised regulatory system for higher education in Wales. It therefore introduced a Higher Education (Wales) Bill to the National Assembly for Wales in 2014 which, following due process, became law on 12 March 2015.

Governance Framework

We are responsible for administering resources for higher education provided by the Welsh Government. We work with the Welsh Government to inform higher education policy in Wales, and we work with universities to enable them to meet those policy priorities. We regulate fee levels at universities, ensure a framework is in place for assessing the quality of higher education and scrutinise the financial, governance and risk performance of universities.

Our Council is appointed by the Minister for Education and Skills in accordance with the requirements of the Further and Higher Education Act 1992. As Accounting Officer and Chief Executive, I am a member of the Council. In May 2014 the Welsh Government appointed a new Chair of Council. During the year there were 10 members serving on the Council, the gender balance of which was seven male (including the Chair) and three female Council members. In November 2014 the Welsh Government advertised to fill two vacancies on the Council, with the new member appointments to begin from April 2015.

The Council met on six occasions during financial year 2014-15. Out of a possible 60 member attendances during the year, a total of 55 were made.

Our Council's meetings are attended by an observer from the Welsh Government; by the President of the National Union of Students (Wales) as an observer; and by observers from the Higher Education Funding Council for England (HEFCE) and the Scottish Funding Council (SFC). Likewise, we have observer status on the Board meetings of both HEFCE and the SFC. The Council is supported by Audit and Risk Assurance; Human Resources; Remuneration; and Appointments Committees, and by three strategic advisory committees (Student Experience, Teaching and Quality; Research, Innovation and Engagement; and Strategic Development) covering areas of higher education policy which are important to our remit and statutory responsibilities. The background and declaration of interests of Council members, and the structure and membership of committees, along with other corporate governance information, are published on our website. The Council is also supported by a UK-wide advisory committee: the UK Healthcare Education Advisory Committee.

We have a Complaints Policy based on the model Concern and Complaints Policy produced by the Public Services Ombudsman for Wales. No complaints against us were received during 2014-15.

We carry out an annual self-assessment effectiveness review of our governance. This

comprises an appraisal of the Council - including members' performance - by the Chair through discussions with members and a comparison of our governance arrangements with the Financial Reporting Council's Corporate Governance Code. In addition to these activities, in 2014-15 we conducted the annual review of our key corporate governance documents, and agreed minor amendments to the remits of some of our committees. Overall, we were content with our effectiveness and governance practices, including with respect to the quality of information and data provided through Council and committee papers. We are of the view that our processes continue to be compliant with the Corporate Governance Code to the extent relevant to a Welsh Government Sponsored Body. Since a review in 2013 of new ways of working, we have continued during 2014-15 to seek ways of making better use of Council and committee time, including through a more strategic focus for business. We have agreed to conduct our next detailed governance effectiveness review in May 2015.

We discharge our legal responsibility to ensure that arrangements are made to assess the quality of education in funded institutions through our Student Experience, Teaching and Quality (SETQ) Committee and our Quality Assessment and Enhancement Sub-Group (QAESG). The Council agreed this year to re-establish a dedicated Quality Committee, and to revise arrangements for the SETQ Committee, subject to further clarity on the implications of the Higher Education (Wales) Act 2015 and future UK quality arrangements. Quality assessments are carried out primarily by the Quality Assurance Agency (QAA), which provides an annual academic year report on the outcomes of reviews, considered by QAESG, the SETQ Committee and the Council. The report for 2013/14 can be found on our website. During 2013/14 QAA conducted three Institutional Reviews: of Cardiff University, Swansea University and Cardiff Metropolitan University. The QAA review reports include recommendations and features of good practice, and are available on the QAA website.

In September 2014 our Council was informed that HEFCE would be publicly tendering for the future contract to assess the quality of higher education in England. Our Council endorsed the desirability of remaining part of a UK-wide approach to quality assessment and therefore agreed that we would participate in the procurement exercise. The review process got underway in 2014-15, and the consultation on revised quality arrangements are expected to conclude in 2015-16. This will then be followed by a piloting of the new arrangements in 2016-17, followed by full implementation from 2017-18.

In September 2014 we received from the Welsh Government the finalised Framework Document, which replaces the Management Statement/Financial Memorandum between the Welsh Government and us. We conducted an Annual Compliance Review against the requirements placed upon us in the *Framework Document*, which showed us to be fully compliant.

The Audit and Risk Assurance Committee has five members, two of whom (including the Chair) are members of our Council. The Committee meets three times a year and meetings are attended by the Chief Executive; the Head of Internal Audit; representatives from the external auditors, the Wales Audit Office; and relevant members of our staff. The minutes of the Committee are presented to our Council after each meeting, and the Chair of the Committee reports any matters of particular note to Council. The remit of the Committee includes both HEFCW and our assurance work with the HE sector. The Committee provides our Council with an annual report, which incorporates the Committee's opinion on governance, internal control and risk management. During the year the Committee completed an effectiveness review self-assessment, benchmarking its

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operation against the National Audit Office checklist for audit committees which uses criteria derived from the HM Treasury Audit Committee Handbook. The review raised no major concerns and the Committee concluded it was operating in line with accepted best practice for audit committees.

As part of our commitment to improving our performance, we are keen to learn from other comparable public bodies. Last year, working with the Arts Council of Wales, we were the first Welsh Government Sponsored Bodies (WGSBs) to hold reciprocal visits for the Chairs and representatives of the executives to attend each other's Audit and Risk Assurance Committee meetings as observers. In 2014-15 HEFCW and the Care Council for Wales attended each other's audit committee meetings.

The Audit and Risk Assurance Committee's opinion for 2014-15 highlighted no major issues, except to note some concerns relating to institutional financial sustainability.

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

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

We work with the higher education sector and in partnership with many other organisations to help us deliver our objectives, including the QAA, Jisc, the Equality Challenge Unit, the Leadership Foundation for Higher Education, and the Higher Education Academy. These partner organisations provide us with useful sources of advice and information that enables us to benchmark Welsh performance and activities against the rest of the sector, and the arrangements have the benefit of economies of scale since the organisations have UK-wide remits. HEFCE, as the major UK HE funder, undertakes lead oversight of these bodies, and where appropriate there are supplemental agreements in place between us and the body to provide for any specific Welsh requirements. We monitor the deliverables from these organisations at a Wales level. HEFCE also has responsibility for oversight of the Open University as an institution, although we work directly with the Open University in Wales on the provision it delivers in Wales. We also provide funding for a Welsh medium Scholarship Scheme run by the Coleg Cymraeg Cenedlaethol.

We have a memorandum of understanding with the Charity Commission which sets out how we will work together and share information to co-ordinate our regulatory activities with respect to higher education institutions in Wales.

We have regular interaction with the Welsh Government's Department for Education and Skills, under the terms of the Framework Document between the Department and us. Staff from the Department and HEFCW meet quarterly which enables the Department to monitor progress against our operational plan and key performance indicators, and to monitor our risk register and the actions we are taking to mitigate risk. We were notified on 25 March 2015 that the Education Minister had noted our operational plan 2014-15. Our Council receives regular reports on progress against our operational plan targets, and an annual report on progress against our corporate strategy targets.

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

Effectiveness of the internal control system

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I am supported in this process by advice from the Audit and Risk Assurance Committee and by other members of my senior management team. My review is also informed by the work of the internal auditor and our managers who have responsibility for the development and maintenance of the internal control framework, and by comments from the external auditors in their management letters.

Our system of internal control provides an assurance framework for managing risks associated with our internal operational and financial controls, and our controls in relation to organisations in receipt of our funding. For this reason Welsh higher education institutions funded by us are required to comply with a financial memorandum, which helps us to secure accountability for the regularity and propriety of the use of public funds provided to them. We consider a comprehensive range of returns provided to us by institutions - including their annual accounts, fee plans, and strategic plans - as part of our work to ensure the protection of the public investment in institutions. This work includes seeking assurance that the public funds provided to institutions have been used for the purposes for which they were intended.

Each of the key annual controls – the risk registers, the financial statements and the external auditors' report and comments thereon, internal audit reports and institutional risk reviews and assurance reports – has been considered by the Audit and Risk Assurance Committee which reports on to our Council. Our control systems have identified a small number of minor issues that required specific action to manage the associated risks. There were no significant weaknesses in our internal controls in 2014-15 which warrant disclosure here.

Approach to risk management

We operate a system of internal control which is designed to: identify and prioritise the risks to the achievement of our policies and strategic objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them effectively. Our risk management processes are overseen by the Audit and Risk Assurance Committee on behalf of our Council.

Each team manages a risk register which is reviewed three times a year. I manage a risk register which sits alongside the operational plan, thereby providing scrutiny of our operational performance against which our risk analysis can be judged. If the combined score for probability and impact is above the tolerance boundary agreed by the Audit and Risk Assurance Committee, the risk goes on to the Corporate Risk Register. The Corporate Risk Register is reviewed by the Audit and Risk Assurance Committee three times a year, with the results being considered by our Council.

Alongside the main risk registers, each team produces a fraud and bribery risk register. Those risks above the tolerance boundary are included in a Corporate Fraud and Bribery Risk Register.

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

During the year we continued to develop our approach to risk management and kept it under review.

Tax assurance for off-payroll employees

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

Significant issues considered by Council during the year

Student tuition fee grant arrangements

I have reported over the last two years on the most significant issue and development in relation to our internal control system that first arose during 2012-13. This related to the major changes made by the Welsh Government as to how higher education is funded. This change resulted in incorporating an increase in tuition fee support for Welsh students and a commensurate reduction in our grant, from the start of the academic year 2012/13. These policies have continued to give rise to significant changes in the way we fund institutions up to and including 2014-15. These represent significant areas of risk for us. Therefore, further actions have been taken in 2014-15 to ameliorate the impact.

We have been responsible for paying out funding on the basis of eligibility judgements made by local authorities in the financial years 2012-13 through to 2014-15 (student renewals only for 2014-15) and by the Student Loans Company (SLC) for all new applicants from the start of the academic year 2014/15. This payment of funding gradually increased from £48.1 million in 2012-13 to £129.3 million in 2013-14 and then to £194.3 million in 2014-15. It should be noted, however, that following a decision by the Welsh Government at the end of 2014-15, we will no longer be responsible for the payment of this funding from the start of 2015-16. The Grant in Aid received by us in 2015-16 will consequently be reduced by the tuition fee grant cost estimated to be between £232 million and £237 million.

Given the financial benefits involved, there has been a risk that students could have claimed Welsh domicile fraudulently. It has been recognised by the Welsh Government that the fundamental underpinning rules regarding 'normal residency' which determine the success of an application by a student, cannot be defined easily. Local authority staff were required to take care in making decisions and had to make a judgement on each student's residency status, which, if done in good faith, had to be accepted by the Welsh Government. The SLC has taken on this responsibility for new applicants for the academic year 2014/15.

Although we have had little control over the basis of these payments, as Accounting Officer I have responsibility for the regularity and probity of expenditure. It was agreed between us and the Welsh Government from the outset of the introduction of the new student tuition fee funding arrangements in 2012-13 that it would not be sensible or feasible for us to carry out assurance work beyond that already commissioned by the Welsh Government, and that reliance could be placed by us on this work.

Because of the degree of reliance placed by us on assurances from the Welsh Government (as agreed by both parties), a statement on student fee arrangements has been provided to us annually by the Welsh Government. Last year, in 2013-14, this confirmed that there was some evidence of weaknesses in the processes and procedures in the control framework operated by local authorities. However, after analysing the responses to the National Fraud Initiative and the results of the investigations from local authorities in Wales (see details below), there was no material evidence of fraud in that financial year.

In its 2013-14 assurance statement to us, the Welsh Government also confirmed that it had received an annual assurance statement from the Accounting Officer of the SLC which confirmed that all SLC financial arrangements had been in compliance with the terms set out by government departments, and that all grants received had been used for the purposes intended. The statement concluded by confirming that it could also provide assurance on the effective control framework in place with the SLC for the 2013-14 financial year.

The Welsh Government commissioned the Wales Audit Office (WAO) to carry out a review of practice in four local authorities in 2012-13. As a result of finding a number of weaknesses in procedures and processes adopted by the local authorities, the Welsh Government commissioned work by the WAO on a further nine local authorities in 2013-14 (as referred to above).

The WAO's key findings from this report and included in the Welsh Government's assurance statement to HEFCW were:

- Since our 2012 review, the Welsh Government has improved aspects of its oversight and control of student finance, although a small number of significant weaknesses remain in the overall system of control operated collectively by the Welsh Government, SLC and local authorities; and
- While the local authorities had applied the Welsh Government's guidance generally well, with a lower level of non-compliance compared to our testing in 2012, some of the audit errors highlighted a number of significant weaknesses within the system of control.

The 2013-14 Welsh Government assurance statement also referred to a National Fraud Initiative (NFI) pilot student data matching exercise carried out by the WAO and the Audit Commission in 2013-14 on student applications made in 2011 and 2012 for three local authorities in Wales. This compared the student application data with the electoral register to September 2013 in order to confirm residency. This resulted in very low levels of unexplained anomalies all of which had since been investigated by the relevant local authorities, and all but two had been explained satisfactorily.

The positive findings taken from the work on local authorities and from the NFI exercise set out above have relevance to the student tuition fee grant payments in 2014-15, as many of the students were still part of the tuition fee grant system.

The Welsh Government's Department for Education and Skills' (DfES) 2014-15 assurance statement to us reports that:

- The Welsh Government and the SLC have been working in partnership to continue

to strengthen the processes and procedures in place for the assessment and processing of student support arrangements in Wales.

- The new, modernised Student Finance Wales service has completed its transformation and is now wholly the responsibility of the SLC with direct responsibility to Welsh Ministers. The new service has simplified processes, improved consistency and communications, and, most importantly, has introduced clearer lines of accountability.
- In its first year of full operation it was important that formal assurance of the effectiveness of the control framework was received and the SLC's internal audit unit were asked to undertake a substantive audit on the processes and procedures in place.
- As a result of the work, an annual assurance statement from the Accounting Officer in the SLC confirmed that all financial arrangements complied with the terms of the terms of the framework document, the Annual Performance and relevant Dear Accountancy Officer letters issued by HM Treasury. In particular, grant received from the Department has been used for the purposes intended
- An appropriate Anti-fraud Policy and Fraud Response Plan has been developed and implemented. All suspected and proven frauds have been notified to the Department in accordance with agreed procedures and there are no suspected frauds that have not yet been notified.
- In addition, an additional process was requested to provide assurance to DfES, and subsequently to the WAO, on the regularity of the student support payments and in particular the assessment of residency for the payment of the tuition fee grant payments.
- The SLC therefore reviewed a sample of 160 payments for student support which incorporated residency checks in respect of tuition fee grants. The overall error rate for the regularity of assessment for student finance Wales for 2014-15 was 0.52% and for tuition fee grant payments there was a zero error rate.
- With regard to the assessment of residency, the SLC has confirmed that appropriate evidence was received in each individual case and that they were satisfied that the system was working effectively.
- On this basis, the Welsh Government's DfES can provide us with assurance on the effective control framework in place within the SLC for the 2014-15 financial year.

As mentioned above, our responsibilities for funding student tuition fee grants ended on 31 March 2015 and passed to the Welsh Government. As a result, this risk will have been removed and will no longer have a bearing on our operations, and will instead become a consideration for the Welsh Government in 2015-16.

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Based upon all of the evidence available to us, I consider that we have sufficient assurance to conclude that there is no evidence of fraud of a material value in 2014-15 in respect of our annual accounts, although risk still exists in respect of the probity of some expenditure for student fee grant support.

Conclusion

I have considered the evidence provided with regard to the production of the annual governance statement. The conclusion of my review is that our overall governance and internal control structures have been appropriate for our business, and have worked satisfactorily throughout 2014-15.

Dr David Blaney
Chief Executive and Accounting Officer
3 July 2015

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 Higher Education Funding Council for Wales for the year ended 31 March 2015 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and 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 auditor

As explained more fully in the Statement of Higher Education Funding Council for Wales' and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' directions made there- under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Higher Education Funding Council for Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Higher Education Funding Council for Wales; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2015 and of its net operating costs after interest, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

Opinion on Regularity

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

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Further and Higher Education Act 1992; and
- the information in the Annual Report is consistent with the financial statements.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

**Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ**

15 July 2015

Statement of comprehensive net expenditure for the year ended 31 March 2015

		2015		2014	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	350,143		382,987	
Other purposes	5	<u>24,058</u>		<u>12,237</u>	
				<u>395,224</u>	
<i>Council expenditure:</i>					
Staff costs	7	1,916		1,830	
Depreciation	8	90		60	
Other expenditures	6	<u>574</u>		<u>521</u>	
		<u>2,580</u>		<u>2,411</u>	
Total expenditure			(376,781)		(397,635)
Income					
Income from activities	2		<u>20,519</u>		<u>11,611</u>
Net operating costs after interest transferred to taxpayers' equity			<u>(356,262)</u>		<u>(386,024)</u>

All activities are continuing.

There are no recognised gains or losses in either 2014-15 or 2013-14.

The notes on pages 44 to 59 form part of these accounts.

Statement of financial position as at 31 March 2015

	Notes	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Non-current assets			
Property, plant and equipment	8	132	122
Intangible assets	9	-	-
Total non-current assets		<u>132</u>	<u>122</u>
Current assets			
Trade and other receivables	10	9,437	4,588
Cash and cash equivalents	11	4,121	2,990
Total current assets		<u>13,558</u>	<u>7,578</u>
Total assets		13,690	7,700
Current liabilities			
Trade and other payables	12	(992)	(1,262)
Provisions for liabilities and charges within one year	13	<u>(1)</u>	<u>(1)</u>
Total non-current assets plus net current assets		12,697	6,437
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(24)	(20)
Assets less liabilities		<u>12,673</u>	<u>6,417</u>
Taxpayers' equity			
General reserve		<u>12,673</u>	<u>6,417</u>
		<u>12,673</u>	<u>6,417</u>

The notes pages 44 to 59 form part of these accounts.

Signed on behalf of HEFCW

Dr David Blaney
Chief Executive and Accounting Officer
3 July 2015

Statement of cash flows for the year ended 31 March 2015

	Notes	2015	2014
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(356,262)	(386,024)
Depreciation charges		90	60
(Increase)/decrease in trade and other receivables		(4,849)	8,080
(Decrease) in trade and other payables		(270)	(6,175)
Movement in provision for liabilities and charges due within one year		-	-
Movement in provisions		4	(2)
Net cash outflows from operating activities		<u>(361,287)</u>	<u>(384,061)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	<u>(100)</u>	<u>(67)</u>
Net cash outflow from investing activities		<u>(100)</u>	<u>(67)</u>
Cash flows from financing activities			
Funding from the Welsh Government		<u>362,518</u>	<u>380,616</u>
Net cash flows from financing activities		<u>362,518</u>	<u>380,616</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,131</u>	<u>(3,512)</u>
Cash and cash equivalents at beginning of period		2,990	6,502
Cash and cash equivalents at end of period	11	<u>4,121</u>	<u>2,990</u>
Net increase/(decrease) in cash		<u>1,131</u>	<u>(3,512)</u>

The notes on pages 44 to 59 form part of these accounts.

**Statement of changes in taxpayers' equity
for the year ended 31 March 2015**

	General Reserve £'000
Balance at 1 April 2014	<u>6,417</u>
Changes in taxpayers' equity 2014-15	
Net operating costs	<u>(356,262)</u>
Total recognised income and expense for 2014-15	<u>(356,262)</u>
Funding from the Welsh Government	362,518
Balance at 31 March 2015	<u><u>12,673</u></u>

The notes on pages 44 to 59 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

(a) Basis of accounting

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

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

(b) Grants for European Union (EU) projects

Income:

We receive grant income relating to EU projects from two sources. Grant income from the Welsh Government in support of European Social Fund projects is credited to the general reserve in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the statement of comprehensive net expenditure in the year in which expenditure is defrayed.

Expenditure:

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

(c) Funding

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

(d) Grants payable

These accounts are prepared on a financial year basis to 31 March, but grants payable are issued on an academic year basis to 31 July. Grants payable are recorded as expenditure in the period in which the recipient carries out the activity, which creates an entitlement. Those grants of a recurring nature, mainly the recurrent funding provided to higher education institutions, are brought to account when paid. In our opinion, this treatment achieves in all material respects a match between grant funding brought to account and the pattern of financial activity at the higher education institutions.

Tuition fee support grants are accounted for on a payable or accruals basis. These grants are payable to the Student Loans Company (SLC). The SLC funds the higher education institutions to pay, on behalf of students, the cost of the difference between the tuition fees charged by the higher education institutions and the tuition fee loan available to students.

(e) Pension costs

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

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

(f) Property, plant and equipment

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

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

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

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

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

(g) 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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(h) Value Added Tax

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

(i) Operating leases

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

(j) Financial instruments

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

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

(k) Segmental reporting

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

(l) Staff costs and secondments

Staff on secondment normally continue to be paid by us. The reimbursement of costs for seconded staff is netted off against staff costs in note 7 to the accounts.

(m) IFRSs issued but not effective

International Accounting Standard (IAS) 8 on Accounting Policies requires organisations to disclose details of any IFRS that has been issued, but is not yet effective. As at 31 March 2015, the following IFRSs, none of which will either be applicable or are likely to have an impact on our annual accounts, have been issued but are not effective:

IFRS 2	Share-based payment (effective date 1 July 2014)
IFRS 3	Business combinations (effective date 1 July 2014)
IFRS 5	Non-current assets held for sale and discontinued operations (effective date 1 January 2016)
IFRS 7	Financial statements – disclosures (effective date 1 January 2016)
IFRS 8	Operating segments (effective date 1 July 2014)
IFRS 9	Financial instruments (effective date 1 January 2018)
IFRS 10	Consolidated financial statements (effective date 1 January 2016)
IFRS 11	Joints arrangements (effective date 1 January 2016)
IFRS 12	Disclosure of interests in other entities (effective date 1 January 2016)
IFRS 13	Fair value measurement (effective date 1 July 2014)
IFRS 14	Regulatory deferral accounts – (effective date 1 January 2016)
IFRS 15	Revenue from contracts with customers (effective date 1 January 2017)
IAS 1	Presentation of financial statements (effective date 1 January 2016)
IAS 16	Property, plant and equipment (effective dates 1 July 2014 & 1 January 2016)
IAS 17	Replacement – Leases (no target date for IFRS)
IAS 19	Employee benefits (effective date 1 July 2014)
IAS 24	Related party disclosures (effective date 1 July 2014)
IAS 27	Consolidated financial statements (effective date 1 January 2016)
IAS 28	Investments in associates and joint ventures (effective date 1 January 2016)
IAS 34	Interim financial reporting (effective date 1 January 2016)
IAS 38	Intangible assets (effective dates 1 July 2014 & 1 January 2016)
IAS 40	Investment property (effective date 1 July 2014)
IAS 41	Agriculture (effective date 1 January 2016)

Higher Education Funding Council For Wales

2. Income from activities

	2015 £'000	2014 £'000
European Union – European Social Fund	3,833	2,454
Department for Business, Innovation & Skills – Research Capital Investment Fund	5,708	5,070
Y Coleg Cymraeg Cenedlaethol Scholarships	330	330
Welsh Government - ectarc Ltd (a)	102	96
Jobs Growth Wales (b)	1,555	622
Improving Environmental Performance through Student Engagement (c)	-	68
UK Research Partnership Investment Fund (d)	8,991	2,658
UK Joint Academic Network 6 (Janet 6) (e)	-	313
	<u>20,519</u>	<u>11,611</u>

(a) This funding is in respect of ectarc Ltd providing EU work placements for Welsh graduates.

(b) This is funding in respect of a project with the Welsh Government to provide graduates with job opportunities with businesses in Wales.

(c) This is a project jointly funded by the Welsh Government and six higher education institutions in Wales.

(d) This is funding from the UK Research Partnership Investment Fund (UK RPIF) for the Energy Safety Research Institute at Swansea University.

(e) This is funding to support the costs of providing 'Janet 6' to enable joint academic network (Janet) services to continue to be provided to higher education institutions in Wales. This funding is paid to Jisc.

3. Funding of higher education

	<u>2015</u>	<u>2014</u>
Higher Education Institutions	£'000	£'000
Aberystwyth University	9,621	17,621
Bangor University	10,243	18,985
Cardiff University	62,060	88,166
Swansea University	20,536	30,836
Glyndŵr University	5,464	9,140
Cardiff Metropolitan University	3,148	7,395
Swansea Metropolitan University (see (a) below)	-	1,197
University of Wales, Trinity Saint David (see (a) below)	8,039	9,313
University of South Wales	22,020	44,674
University of Wales	424	650
Open University	6,482	15,049
Sub-total	<u>148,037</u>	<u>243,026</u>
Student Loans Company Ltd (see (b) below)	<u>194,178</u>	<u>129,264</u>
Further Education Institutions		
Bridgend College	1	2
Coleg Sir Gâr (see (d) below)	-	919
Coleg Llandrillo	296	609
Neath Port Talbot College	45	102
Gower College Swansea	31	44
Sub-total	<u>373</u>	<u>1,676</u>
Total carried forward	<u>342,588</u>	<u>373,966</u>

Higher Education Funding Council For Wales

	2015	2014
	£'000	£'000
Total brought forward from previous page	342,588	373,966
Other Organisations		
Economic and Social Research Council	167	494
Elsevier BV	-	25
Engineering and Physical Sciences Research Council	21	31
Equality Challenge Unit	58	58
Hardisty Jones Associates Ltd	65	-
Higher Education Funding Council for England (HEFCE)	585	374
HESA Services Ltd	44	1
HESA	-	36
The Higher Education Academy	582	612
High Performance Computing Wales	575	600
JANET (UK) Ltd	2,310	2,806
Leadership Foundation for Higher Education	-	47
National Centre for Universities and Business	34	23
National Union of Students	41	20
Miller Research	33	-
Old Bell 3 Ltd	52	-
Parity Solutions Ltd	46	47
Public and Corporate Economic Consultants Ltd	-	21
Quality Assurance Agency	262	295
UCAS	21	-
Universities UK	71	31
Universities Wales (formerly Higher Education Wales)	45	45
Welsh Government	245	245
WJEC CBAC Ltd	20	69
Y Coleg Cymraeg Cenedlaethol	7,324	6,104
Other (see (c) below)	503	465
Sub-total	13,104	12,449
Total	355,692	386,415
Less ESF funded expenditure (see note 5)	(3,993)	(2,806)
Less Jobs Growth Wales expenditure (see note 5)	(1,556)	(622)
Total	350,143	382,987

(a) On 1 August 2013, Swansea Metropolitan University was dissolved and its assets and liabilities transferred to University of Wales, Trinity Saint David.

(b) AY 2014-15 is the third year where we paid funding for student tuition fee support grants to the Student Loans Company (SLC). The SLC then paid higher education institutions in respect of their eligible students. As shown above, payments of £194.2 million were made to the SLC in the financial year. The increase from £129.3 million in 2013-14 reflects the impact of funding tuition fee support grants for the third cohort of students. This change in the flow of funding to HE institutions from us is largely responsible for the reduction in total payments of recurrent funding to HE institutions shown above.

Higher Education Funding Council For Wales

It should be noted that a decision taken by the Welsh Government to directly fund the SLC with tuition fee support grants itself from April 2015, means that we no longer have this responsibility from 2015-16. This will result in a significant reduction in the level of total funding made available to us by the Welsh Government for the HE sector.

- (c) This includes a contribution of £250k from the programme budget towards running costs wages and salaries as disclosed in note 7.
- (d) On 1 August 2013, Coleg Sir Gâr was dissolved and its property, rights and liabilities were transferred to the University of Wales, Trinity Saint David.

4. Grants to institutions

Included in these accounts are grants to higher education 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 us by 31 December. A review by us of institutions' 2013/14 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 2014 did not lead to any material adjustments. Any adjustment arising from the audit of 2014/15 accounts and student numbers will be made by us in future years.

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

5. Expenditure for other purposes

	2015 £'000	2014 £'000
European Social Fund (a)	3,993	2,806
Research Capital Investment Fund (b)	5,708	5,070
Y Coleg Cymraeg Cenedlaethol Scholarships	320	305
ectarc Ltd (c)	102	96
Jobs Growth Wales (d)	1,556	622
Improving Environmental Performance through Student Engagement (e)	17	51
UK Research Partnership Investment Fund (f)	8,991	2,658
Capital contribution towards merger (g)	3,371	629
	<u>24,058</u>	<u>12,237</u>

- (a) The amounts relating to grant payments made to higher education institutions under the European Social Fund (ESF) are subject to separate audits. Any adjustment arising from these audits will be accounted for in future years.
An amount of £3k (2014 - £4k) has been paid during the year to the Wales Audit Office for work undertaken on European grant claims.

Higher Education Funding Council For Wales

- (b) An analysis of research capital funding by higher education institution is given below:

	2015 £'000	2014 £'000
Aberystwyth University	796	749
Bangor University	643	557
Cardiff University	3,111	2,791
Swansea University	1,158	973
	<u>5,708</u>	<u>5,070</u>

- (c) This is funding paid to ectarc Ltd to provide EU work placements for Welsh graduates.
- (d) These are costs in respect of a project to provide graduates with job opportunities with businesses in Wales.
- (e) This work is being undertaken by the NUS Charitable Services in conjunction with six higher education institutions in Wales.
- (f) This is funding from the UK Research Partnership Investment Fund (UK RPIF) for the Energy Safety Research Institute at Swansea University.
- (g) This is capital funding paid to the University of South Wales (formerly the University of Glamorgan) towards the costs associated with its merger with the University of Wales, Newport on 11 April 2013.

6. Other expenditures

	2015 £'000	2014 £'000
Administration costs		
Accommodation costs	211	241
Office costs	43	43
Bought-in services	48	30
Auditors' remuneration – Annual audit fee of HEFCW	30	25
Council members' travel and subsistence costs	13	6
Council members' meeting costs	12	12
Staff travel and subsistence costs	33	29
Staff related expenditure on training, recruitment etc.	34	23
Information technology costs	150	112
	<u>574</u>	<u>521</u>

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

7. Staff costs

(a) Analysis

	Staff	2015 Council members (inc Chief Executive)	Total	Staff	2014 Council members (inc Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,722	185	1,907	1,580	194	1,774
Social security costs	145	17	162	133	17	150
Other pension costs	336	34	370	313	29	342
Total payroll costs	2,203	236	2,439	2,026	240	2,266
Staff on secondment	(49)	-	(49)	4	-	4
Less: charges to programme costs	(474)	-	(474)	(440)	-	(440)
Administration payroll costs	1,680	236	1,916	1,590	240	1,830

Included in the £474k (2013-14 - £440k) charged to programme costs in 2014-15 is a sum of £250k (2013-14 - £250k). This is a contribution towards running costs wages and salaries transferred from the programme budget in accordance with an agreement with the Welsh Government.

(b) Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but we are unable to identify our share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2014-15, our employer's contributions of £359,062 were payable to the PCSPS (2013-14 - £334,311) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by us. There is no fund and therefore no surplus or deficit or assets. The scheme liabilities for service are calculated by the Government Actuary's Department every two years and was performed at the end of 2014-15 and amounted to £25,000 at 31 March 2015.

(c) **Average number of staff employed**

We employed an average of 44 full time equivalent staff during the financial year ending 31 March 2015, as follows:

	2015 Numbers	2014 Numbers
Senior Management	3	2
Chief Executive's Office	7	8
Institutional Engagement	13	12
Strategic Development	11	12
Corporate Services	10	9
	<u>44</u>	<u>43</u>

One member of staff included in Institutional Engagement above was not a permanent member of staff.

	2015 Numbers	2014 Numbers
Staff with a permanent UK employment contract with us	41	42
Other staff engaged on our objectives	3	1
	<u>44</u>	<u>43</u>

(d) **Sickness absence data**

	2015	2014
Sickness absence rate (%)	1.31	2.17
Number of working days lost	161	253
Approximate cost of working days lost	<u>£21,929</u>	<u>£ 32,269</u>

The approximate cost of working days lost is based upon the salary at level 4 (step 4) a middle management staff level.

8. **Property, plant and equipment**

	Information technology equipment	Fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2014	434	286	720
Additions	100	-	100
Disposals	-	-	-
At 31 March 2015	<u>534</u>	<u>286</u>	<u>820</u>
Depreciation			
At 1 April 2014	381	217	598
Charged during year	64	26	90
Released on disposals	-	-	-
At 31 March 2015	<u>445</u>	<u>243</u>	<u>688</u>
Net book value at 31 March 2015	<u>89</u>	<u>43</u>	<u>132</u>
Net book value at 1 April 2014	<u>53</u>	<u>69</u>	<u>122</u>
Asset financing			
Owned assets			
Net book value at 31 March 2015	<u>89</u>	<u>43</u>	<u>132</u>

9. **Intangible fixed assets**

	Software licences £'000
Cost	
At 1 April 2014 and at 31 March 2015	<u>30</u>
Amortisation	
At 1 April 2014 and at 31 March 2015	<u>30</u>
Net book value at 31 March 2015	<u>-</u>
Net book value at 1 April 2014	<u>-</u>

10. Trade receivables and other current assets

	2015 £'000	2014 £'000
Amounts falling due within one year		
Trade receivables	-	25
Prepayments and accrued income	4,466	4,562
Other receivables	4,971	1
	<u>9,437</u>	<u>4,588</u>
Intra-government balances		
Other central government bodies	<u>4,352</u>	<u>2,932</u>
Balances with other government bodies	4,352	2,932
Balances with non-government bodies	<u>5,085</u>	<u>1,656</u>
	<u>9,437</u>	<u>4,588</u>

Accrued income consists mainly of funding due from Welsh Government relating to the ESF project of £3,222k. 'Other receivables' includes £4,964k of funding due to be recovered from higher education institutions relating to sector agency funding and a short-term loan for cash flow support (which has been fully repaid since the year-end).

11. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash held under Government Banking Service		
Balance at 1 April	2,413	3,058
Net change in cash and cash equivalent balances	(336)	(645)
Balance at 31 March	<u>2,077</u>	<u>2,413</u>
Cash held under commercial banks and cash in hand		
Balance at 1 April	577	3,444
Net change in cash and cash equivalent balances	1,467	(2,867)
Balance at 31 March	<u>2,044</u>	<u>577</u>
Total cash and cash equivalents	<u><u>4,121</u></u>	<u><u>2,990</u></u>

The Government Banking Service (GBS) is a Government-wide banking service provided jointly by Citibank and the Royal Bank of Scotland and overseen centrally by the GBS team, ultimately controlled by HM Treasury. We do not earn any interest on any balance held in GBS accounts. We obtained HM Treasury authorisation to continue making payments using commercial banking facilities.

12. Trade payables and other current liabilities

	2015 £'000	2014 £'000
Amounts falling due within one year		
Accruals	901	1,215
Other taxation and social security	90	46
Sundry creditors	1	1
	<u>992</u>	<u>1,262</u>
Intra-government balances		
Other central government bodies	90	46
Balances with other government bodies	90	46
Balances with non-government bodies	902	1,216
	<u>992</u>	<u>1,262</u>

Included in these figures is a sum of £nil (2014 - £497k) due to HE institutions in respect of the GO Wales European Social Fund Convergence project.

13. Provisions for liabilities and charges

	2015 £'000	2014 £'000
Broadly by analogy pension liability (see note 7(b))	25	21
	<u>25</u>	<u>21</u>
Analysis of timing of liability		
Falling due within one year	1	1
Falling due between 2016 and 2021	7	7
Falling due between 2022 and 2032	17	13
Thereafter	-	-
	<u>25</u>	<u>21</u>

14. Commitments under leases

Operating leases

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

	2015 £'000	2014 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	82	82
Later than one year and not later than five years	119	201
Later than five years	-	-
	<u>201</u>	<u>283</u>

Expenditure in the year on leasing costs of £82k is included in note 6.

15. Capital commitments

2015	2014
£'000	£'000

Contracted capital commitments at 31 March 2015 not otherwise included in these accounts

Property, plant and equipment
Contracted

2	-
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16. Other financial commitments and contingent liabilities

2015	2014
£'000	£'000

Revenue grants (a)
European projects (b)

23,850	119,781
-	6,367
23,850	126,148

(a) This amount will be funded by grant in aid from the Welsh Government to July 2015.

(b) European projects will be funded as follows:

2015	2014
£'000	£'000

European Social Fund grants
HEFCW

-	5,498
-	869
-	6,367

As at 31 March 2015, there were no contingent liabilities (2014 – nil).

17. Losses and special payments

2015	2014
£	£

Fruitless payments

4,043	-
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18. Related parties

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

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

Name	Relationship with related party
Mr Roger Thomas (Chair of Council) retired 4 May 2014	◆ Honorary Doctor, University of Glamorgan (now University of South Wales)
Mr David Mason (Council member)	◆ Honorary Fellow, University of Wales, Newport (now University of South Wales)
Mrs Bethan Guilfoyle CBE (Council member)	◆ Honorary Doctor of Education, University of Glamorgan (now University of South Wales)
Professor Robin Williams CBE (Council member)	<ul style="list-style-type: none"> ◆ Emeritus Professor, University of Wales ◆ Emeritus Professor, Swansea University ◆ Honorary Fellow, Cardiff University ◆ Honorary Fellow, Bangor University ◆ Honorary Fellow, Swansea University ◆ Member of the Advisory Board, CAFMaD, Aberystwyth and Bangor Universities ◆ Member, Advisory Group for Engineering, Swansea University ◆ Fellow of the Coleg Cymraeg Cenedlaethol ◆ Daughter employed by Swansea University
Professor Mark Smith (Council member)	<ul style="list-style-type: none"> ◆ Board Member, HESA ◆ Member, the Strategic Advisory Network, EPSRC ◆ Trustee, Jisc ◆ Trustee, AQA ◆ Member, Leadership, Management and Governance Committee, HEFCE
Professor Stephen Tomlinson CBE (Council member)	<ul style="list-style-type: none"> ◆ Emeritus Professor, Cardiff University ◆ Lay Member, Biological Standards Committee, Cardiff University
Mr Ewart Wooldridge CBE	◆ Honorary Fellow, Cardiff University

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 above has undertaken any material transactions with us.

19. Financial instruments

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

Liquidity risks – In 2014-15 £362.5 million or 94.6% of our income was derived from the Welsh Government (2013-14: £380.6 million or 97.0%). Of the remaining income £20.5 million or 5.4% was derived from bank interest and income from activities (2013-14: £11.6 million or 3.0%). We do not consider that our general activities are exposed to any significant liquidity risk, and we are satisfied that future income is sufficient to meet our commitments.

Interest rate risks – Cash balances are no longer held in interest-bearing accounts and therefore our general activities are not exposed to interest rate risks.

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

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

20. Events after the reporting period

There have been no events, after the Statement of Financial Position date up to the date these financial statements were authorised for issue by the Accounting Officer on 3 July 2015, requiring an adjustment to the accounts.