

Meeting	Agenda Item	Reference No
07/12/07	9	HEFCW/07/103

1 Issue

- 1.1 This paper informs Council of the financial monitoring on programme and running costs expenditure for the period April to September 2007 (Q2). It also provides an update on the financial year end position for 2007-08.

2 Corporate Planning Implications / Rationale for paper

- 2.1 The Financial Memorandum between WAG and HEFCW places a duty upon HEFCW to maintain financial and management accounting systems to enable a full review of costs and cash flow to be prepared against agreed budgets. This review is carried out and reported quarterly to Council.

3 Recommendation

- 3.1 The Council is invited to:
- i. Note the second progress report on actual performance against cash profile for 2007-08 financial year.

4 Timing for decisions

- 4.1 The Council is not required to make any decisions as this paper is for information purposes only.

5 Council members' interests

- 5.1 No conflicts of interests have been declared in advance of the meeting.

6 Further information

Contact Nick Williams (Tel 029 2068 2299; E-mail nickwilliams@hefcw.ac.uk) or Michelle Morris (Tel 029 2068 2213; E-mail: michelle.morris@hefcw.ac.uk)

7 Programme funds

- 7.1 The Q2 report indicates that the actual cash expenditure of £248m is £0.5m or 0.22 percent lower than projected for the period April to September 2007 and there are no specific areas to highlight.
- 7.2 In October 2007 Budget Holders completed a re-profiling exercise and this indicated that the projected programme cash expenditure is lower than the original profile by £6.2m due to lower planned expenditure for Reaching Higher (Reconfiguration and Collaboration fund). This is due to HEFCW re-claiming funds from the University of Glamorgan as a result of the delay in the capital project. This has a material affect upon the projected cash balance for 2007-08 although the funds remain committed and will be required for FY 2008-09.

8 Running Costs

- 8.1 The Q2 report indicates that the actual cash expenditure of £1.3m is £0.2m or 13.5 percent lower than projected for the period April to September 2007. This under-spend flows from delays in projected cash expenditure, it does not represent genuine under-spends.
- 8.2 In October 2007 Budget Holders completed a re-profiling exercise and this indicated that the projected cash expenditure is in line with the original profile.

9 Year end Cash balance

- 9.1 The Q2 re-profiling exercise indicates that the Council will have a cash balance in March 2008 of £17.8m which exceeds the 2 percent carry forward limit. (See Annex A) However, this projection excludes expenditure relating to the £8m 'Strategic use of Core funds' that Council has approved but which has not yet been profiled by Budget Holders. Furthermore, it includes £8.5m of committed funds that HEFCW are currently planning to carry forward into 2008-09 of which £6.8m is Reaching Higher expenditure which materially affects our ability to remain within the two percent cash balance limit. Discussions are on-going with WAG officials to seek their agreement to exclude Reaching Higher funding from the two percent calculation at the end of March 2008. A verbal update will be provided at the Council meeting.

10 Financial implications

- 10.1 This paper sets out progress against the Council's financial year cash profile. It shows that the Council is currently at risk of not achieving its stated objective of remaining within the maximum balance of two percent of the available grant-in-aid at the end of this financial year. The planned expenditure for 'Strategic use of Core Funds' of £8m and WAG's agreement

to the carry forward of committed Reaching Higher expenditure would resolve this situation.

11 Communications implications

- 11.1 This report has no communications implications as it is an internal report on HEFCW's progress to date for financial year 2007-08.

12 Diversity and Equal Opportunities implications

- 12.1 This paper has no implications for age, disability, gender, race, religious belief, sexual orientation or the Welsh language.

13 Risk Assessment

RISK	ACTION TO ADDRESS RISK
HEFCW will exceed its maximum permitted cash balance.	Officers are examining proposals for additional expenditure and the agreement with WAG to exclude the Reaching Higher funds from the two percent cash balance calculation.