

HEFCW PROGRAMME AND RUNNING COST
FINANCIAL YEAR BUDGET 2007-08

DISCLOSABLE

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| Meeting 23/03/07 | Agenda Item 10 | Reference No HEFCW/07/19 |
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INTRODUCTION

- 1 This paper presents for approval the financial year programme, capital and running cost expenditure for the Higher Education Funding Council for Wales, on a cash basis, including an estimate of the amount of cash brought forward, for the period 2007-08.

BACKGROUND

- 2 Most of the Council's funding is allocated on an academic year basis, and the Council is being asked to approve the academic year budgets and allocations for 2007/08 at this meeting. However, each year the HEFCW receives its cash in the form of grant in aid (GIA) from the WAG, and cash expenditure has to be managed on a financial year basis.
- 3 In 2007-08 the total programme grant in aid is £392.7m, made up of recurrent programme funds £374.3m and capital funds £18.4m. In addition, there are funds available for Reaching Higher of £14.55m for recurrent and £3m for capital. There are £7.87m funds for the Open University and £10.92m for Supplementary Income Stream. The running cost budget is £3.1m. Under the terms of the Financial Memorandum between the National Assembly for Wales and the Council, the maximum amount of GIA cash that can be carried forward to the following financial year is two per cent of the annual GIA. In 2007-08 this equates to £8.643m.

ANNUAL EXPENDITURE

- 4 A summary of the 2007-08 financial year budget is shown in **Annex A**. This indicates a projected year-end balance of £11.63m or 2.69 percent. The size of this balance represents an accumulation of annual underspends over a number of financial years. This balance is in excess of our 2 percent cash threshold at the year end by the sum of £2.99m. Officers will bring forward to Council for its approval, proposals for the utilisation of these surplus funds in due course.

RECURRENT EXPENDITURE

- 5 The recurrent 2007-08 financial year budget is attached at **Annex B**. The funds available are the £374.3m of grant in aid together with an estimated balance brought forward of £6.36m and other income of £1.94m, giving a total of £382.6m. The other income represents reimbursement from WEFO of expenditure on European projects. Projected expenditure in the financial year is £372.36m, leaving a projected year-end recurrent balance of £10.24m.

SUPPLEMENTARY INCOME STREAM

- 6 For 2007-2008, £10.92m is available and the final tranche of this funding of £8.13m will be paid out in May 2007. It should be noted that the balance of funds held in March 2007 by HEFCW accommodated paying the month of April's SIS funding (£2.79m) to

institutions just prior to our financial year end to allow institutions to utilise the funds in April.

OPEN UNIVERSITY

- 7 The recurrent 2007-08 financial year budget is attached at **Annex B** and the capital budget at **Annex C**. The combined funds available are £7.87m of grant in aid together with a carried forward balance of unspent funds of £310k, totalling £8.18m. The current projected expenditure in the financial year of £7.55m, leaving a year-end balance of £0.63m. However, it is expected that most of this remaining balance will be spent in the financial year once the Open University's ITT accreditation has been finalised and other transitional funding issues have been resolved.

REACHING HIGHER

- 8 A summary of the 2007-08 financial year budget is shown in **Annex B**. The Reaching Higher budget is £14.55m plus an estimated carry forward figure of £1.22m. Estimated expenditure for Reaching Higher is £15.6m which results in a projected balance of £171k, all of which relates to Reaching Wider.

CAPITAL BUDGET

- 9 The 2007-08 financial year capital budget is attached at **Annex C**. The Capital budget is £18.4m plus an estimated carry forward figure of £304k. Estimated expenditure for Capital is £18.19m which results in a balance of £514k at the year end.
- 10 The Reaching Higher 2007-08 financial year capital budget is also noted in **Annex C**. The Reaching Higher Capital budget is £3m with a carried forward figure of £200k. Estimated expenditure is also £3.15m which results in a projected balance of £50k at the year end.

RUNNING COSTS

- 11 The running cost 2007-08 financial year budget is attached at **Annex D**. The funds available are £3.101m of grant in aid together with an estimated balance brought forward of £75k. Planned expenditure in the financial year is £3.3m. However, this estimated gross expenditure includes £145k that will be transferred to programme costs as these costs flow from programme funded initiatives. Allowing for this adjustment the net running cost year end projected balance is an under-spend of £21k.

REPORTING ARRANGEMENTS

- 12 The reporting arrangements in 2007-08 remain unchanged from those followed in recent years. The Council will be provided with quarterly reports that indicate the projected cash balance for 31 March, in order to ensure that HEFCW remains within the two percent limit, and an update on HEFCW financial year expenditure. The first report will be presented to Council at its meeting in September 2007. The report will include spend to date against profile and forecast outturn for the year.

FINANCIAL IMPLICATIONS

- 13 This paper sets out the Council's financial year budgets, which have been determined so as to remain with the available grant in aid and balances brought forward, and also within the two percent carry forward limit.

PUBLICITY IMPLICATIONS

- 14 There are no publicity implications arising from this paper.

RISK ASSESSMENT

- 15 If the Council does not approve a financial year budget it will be in breach of the Financial Memorandum between it and the Assembly.

DIVERSITY AND EQUAL OPPORTUNITY IMPLICATIONS

- 16 The paper has no implications for race, gender or disability issues.

RECOMMENDATION

- 17 ***The Council is asked to approve the financial year budget as noted in Annexes A, B, C and D.***

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