

APRIL TO DECEMBER 2006 (Q3) MONITORING REPORT  
HEFCW FINANCIAL YEAR BUDGET 2006-07

DISCLOSABLE

Meeting  
23/03/07

Agenda Item  
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Reference No  
HEFCW/07/31

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## INTRODUCTION

- 1 This paper informs Council of the financial monitoring on programme and running cost expenditure for the period April to December 2006 (Q3). It also provides an update on the financial year position, on a cash basis, including cash brought forward, for the period 2006-07.

## BACKGROUND

- 2 In 2006-07 the total programme grant in aid is £378.1m, made up of recurrent programme funds £359.7m and capital funds £18.4m. In addition, there are funds available for Reaching Higher of £13.9m for recurrent and £3m for capital. There are £7.5m funds for the Open University and £22.6m for the Supplementary Income Stream. The running costs' budget is £2.999m. 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 2006-07 this equates to £8.6m.
- 3 Since the Quarter 2 report to Council in December 2006 WAG has agreed an additional £1m for Reaching Higher Capital and confirmed the £1m owing to HEFCW for Clinical funds that relates to expenditure in a prior year. The maximum amount of GIA that can be carried forward into 2007-08 remains at £8.6m.
- 4 **Annex A** indicates that the Council is not expected to exceed the 2 percent carry forward limit at the end of March 2007, as the latest year-end projected balance is £7.6m or 1.78 percent which is in line with the original budget.

## PROGRAMME EXPENDITURE

### RECURRENT

- 5 The Q3 report for **recurrent** expenditure is attached as **Annex B**. This indicates that actual expenditure of £317m was in line with planned expenditure as re-profiled at the end of quarter two, as the degree of variance, at less than one percent, is not considered material.
- 6 When the Q3 report was issued to Budget holders in Jan 2007 they were required to re-profile the balance of the 2006-07 financial year budgets, and the 2006/07 academic year budget, in light of actual performance in the first quarter.
- 7 **Annex C** shows the financial year budget approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This shows a shortfall of £3.3m or 0.9 percent, in the projected recurrent financial year expenditure from £362.5m in the original budget to £359.1m. The decrease stems from a mix of new items of expenditure that have been finalised since the financial year budget was approved and under-spend variances against existing areas. Within the variances shown against existing areas of expenditure the main areas to highlight are:

- A fall in projected expenditure in Strategic Development fund of £325k although this will now fall in the new financial year,
- A fall in projected expenditure in European Projects where the estimate of overall expenditure from all of the GO Wales projects has been reviewed. There will always be variances showing on GO Wales budget lines due to delays between HEIs submitting retrospective claims to HEFCW and WEFO recompensing HEFCW for its payments to HEIs,
- An increase in Teaching expenditure due to adjustments made during the academic year which include the in-year Council decision to fund the full second year of the Dentistry programme, at Cardiff, at the clinical rate, and the clarification of the clinical/non-clinical position of the second year of the Graduate Swansea Entry Programme,
- An increase in Teaching claw-back as the amount due as a result of under-recruitment in 2005/06, which is retrieved during 2006/07, has now been established,
- A decrease in Clinical pay awards due to a delay in making the payments as HEFCW is awaiting agreement from WAG to cover the costs of Clinical pay awards in 2006/07,
- An increase in Research Capacity Development fund expenditure due to slippage in making the payments between one financial year 2005-06 and the next, and,
- Non-budgeted ESF project expenditure which relates to a payment made to WEFO, where the funds had previously been re-claimed from the HEI's.

## REACHING HIGHER

- 8 The Q3 report for **Reaching Higher** expenditure (Reconfiguration and Collaboration Fund and Reaching Wider) is attached as **Annex B**. This indicates that actual expenditure of £11.4m was lower than planned expenditure of £12.3m re-profiled at the end of quarter two, by £0.8m or 6.5 percent. This flows from a delay in release of the initial payment for the Skillset Screen Academy for Wales.
- 9 **Annex C** shows the financial year budget approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This shows an increase in Reaching Higher expenditure of £2.1m or 15 percent, from £14m to £16.1m which is lower than the quarter two re-profile forecast outturn.
- 10 The majority of the change in profile (£1.9m) relates to the Reconfiguration and Collaboration Fund. This flows from the approval of funding for new partnerships by Council in July 2006. Whilst these commitments are still indicative as they have still to gain Assembly approval, they have been included for financial planning purposes because of the impact on the funding position within 2006-07 and subsequent financial years.

## CAPITAL

- 11 The Q3 report for **capital** expenditure is attached as **Annex D**. This indicates that actual expenditure was in line with planned expenditure re-profiled at the end of quarter two.
- 12 **Annex E** shows the financial year budget approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This shows additional expenditure of £0.4m for Open University expenditure which had not been included in the original budget. It also includes an additional £0.8m expenditure of the £1m for Reaching Higher Capital allocated from the Assembly to support the programme of Higher Education energy and water management in pursuit of efficiency gains and as a contribution to environmental sustainability. The £300k for the Metropolitan Area Network (MAN) will now be spent in the new financial year.

## RUNNING COST EXPENDITURE

- 13 The Q3 report for running costs expenditure is attached as **Annex F**. This indicates that actual expenditure of £2.1m was lower than the planned expenditure of £2.2m re-profiled at the end of quarter two by £112k or 5 percent. Compared with the original budget, the year to date underspend is £143k or 6.4 percent.
- 14 The main areas where year to date running costs expenditure is lower than projected are recruitment, staff training associated staff costs, telephone, hardware purchases and IMT consultancies. However all of these areas are expected to spend their full year budget by the end of the financial year. Some budget transfers between expenditure lines have been made to accommodate projected over and under spends for the year. These amendments are noted on **Annex G**. The overall effect is that the projected end of year expenditure total remains at £3m.

## ADDITIONAL INFORMATION

- 15 **Annex H** shows that the Council is continuing to maintain a very low average of the number of days taken to pay creditors compared with the previous financial year. There is an improvement in the cumulative percentage of invoices paid within 30 days and the Council is now exceeding the Assembly's requirement of paying 95 percent of invoices within 30 days. There are no trade debtors currently outstanding.

## FINANCIAL IMPLICATIONS

- 16 This paper sets out progress against the Council's financial year budgets. It shows that the Council is on target to achieve its stated objective of remaining within the 2 percent of grant in aid cash limit at the financial year end.

## PUBLICITY IMPLICATIONS

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

## RISK ASSESSMENT

- 18 There are no risk implications arising from this paper.

## DIVERSITY AND EQUAL OPPORTUNITY IMPLICATIONS

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

## RECOMMENDATION

- 20 The Council is asked to note the third progress report on actual performance against budget for the 2006-07 financial year as noted in Annexes A to H.

**FURTHER INFORMATION** For further information contact: Nick Williams (029 2068 2299); email Nick.Williams@hefcw.ac.uk 1 March 2007