

For information

**APRIL TO JUNE 2007 (Q1) MONITORING REPORT
HEFCW FINANCIAL YEAR BUDGET 2007-08**

DISCLOSABLE

Meeting
19/09/07

Agenda Item
29

Reference No
HEFCW/07/87

INTRODUCTION

- 1 This paper informs Council of the financial monitoring on programme and running cost expenditure for the period April to June 2007 (Q1). It also provides an update on the financial year position, on a cash basis, including cash brought forward, for the period 2007-08.

BACKGROUND

- 2 In 2007-08 the total programme grant in aid is £432.1m, made up of recurrent programme funds £374.3m; capital funds £18.4m; Supplementary income Stream funds of £10.9m; Reaching Higher recurrent £14.5m and £3m for capital; with £7.9m funds for the Open University. The running costs' budget is £3.101m. Under the terms of the Financial Memorandum between the Welsh Assembly Government, 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 £8.6m.

PROGRAMME EXPENDITURE

RECURRENT

- 3 The Q1 report for **recurrent** expenditure is attached as **Annex A**. This indicates that actual expenditure of £109m was in line with planned expenditure.
- 4 When the Q1 report was issued to Budget holders in July 2007 they were required to re-profile the balance of the 2007-08 financial year cash profile, and the 2007/08 academic year budget, in light of actual performance in the first quarter.
- 5 **Annex B** shows the financial year cash profile approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This indicates that the recurrent cash Q1 re-profile remains in line with the original cash expenditure profile. However, the total stems from a mix of new items of expenditure that have been finalised since the financial year cash profile was approved and 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 £580k due to delays in expenditure on one of the projects. This represents committed cash that will need to be carried forward
 - a fall in projected expenditure of £102k in European Projects although this relates to timing of receipts of claims and does not represent a genuine under-spend, and,
 - an increase in Part-Time Fee Waiver of £821k due to an increase in ceiling only to allow for new FTE fee levels. This payment will be funded from the existing unallocated fund and will be built into the Academic Year budget from 2008/09 onwards.

REACHING HIGHER

- 6 The Q1 report for **Reaching Higher** expenditure is (Reconfiguration and Collaboration Fund and reaching Wider) attached as **Annex A**. This indicates that actual expenditure of £3.2m was higher than planned expenditure of £2.9m by £0.3m or 7.6 percent. This flows from two new projects and an amendment in the payment profile of an existing project.
- 7 **Annex B** shows the financial year cash profile approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This shows a decrease in Reaching Higher expenditure of £1.2m or 7.5 percent, from £15.6m to £14.4m.
- 8 The majority of the change in profile (£1.3m) relates to the Reconfiguration and Collaboration Fund. These funds are committed but will now be cash spent in financial year 2008-09.

CAPITAL

- 9 The Q1 report for **capital** expenditure is attached as **Annex C**. This indicates that actual expenditure of £7m was in line with planned cash expenditure
- 10 **Annex D** shows the financial year cash profile approved by Council and the latest forecast outturn as indicated by the Budget holders' responses. This shows lower cash expenditure of £20k that relates to the Reaching Higher Capital targeting and monitoring project which is now due to be spent in financial year 2008-09.

RUNNING COST EXPENDITURE

- 11 The Q1 report for running costs expenditure is attached as **Annex E**. This indicates that actual cash expenditure of £695k was lower than the planned cash expenditure of £799k by £104k or 13 percent. The main factor is cash expenditure of £4k for telephone against a profile of £26.8k as there are on-going discussions with the supplier concerning the validity of invoices presented to HEFCW since the separation of Linden Court from NCETW. The projected end of year expenditure total shown on **Annex F** remains at £3.1m.

CASH MONITORING REPORT FOR THE FINANCIAL YEAR

- 12 **Annex G** indicates that the Council will exceed the 2 percent carry forward limit in March 2008, as the latest year-end projected balance is £12.5m or 2.89 percent. Officers are developing plans for new initiatives that will generate additional cash expenditure in the current financial year of approx £7.5m. Paper HEFCW/07/69 Strategic use of Core funding refers.

ADDITIONAL INFORMATION

- 13 **Annex H** shows that the Council continues to exceed the Assembly's requirement of paying 95 percent of invoices within 30 days. There are no trade debtors currently outstanding.

FINANCIAL IMPLICATIONS

- 14 This paper sets out progress against the Council's financial year cash profile. It shows that the Council is currently not on target to achieve its stated objectives of remaining within the maximum balance of two percent of the available grant in aid at the end of this financial year.

PUBLICITY IMPLICATIONS

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

RISK ASSESSMENT

- 16 If no new initiatives were developed and approved to generate additional cash expenditure of at least £3.9m before the end of the financial year, HEFCW will exceed its maximum permitted cash balance.

DIVERSITY AND EQUAL OPPORTUNITY IMPLICATIONS

- 17 The paper has no implications for race, gender, disability or the Welsh language.

RECOMMENDATION

- 18 The Council is asked to note the first progress report on actual performance against cash profile for the 2007-08 financial year as noted in Annexes A to H.

FURTHER INFORMATION For further information contact: Richard Hirst (029 2068 2253); email Richard.Hirst@HEFCW.ac.uk
4 September 2007