

Meeting	Agenda Item	Reference No
09/05/08	7	HEFCW/08/29

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## **1 Issue**

- 1.1 This paper presents for approval the financial year programme budget for HEFCW, on a cash basis, including the cash brought forward, for the period 2008-09.

## **2 Corporate Planning Implications / Rationale for paper**

- 2.1 HEFCW's Financial Memorandum with WAG places a requirement upon HEFCW to set a budget within its cash limits. In 2008-09 the programme budget from WAG is £441m. This includes an assumption about the receipt of funds for the Open University which are not included in the remit letter.

## **3 Recommendation(s)**

- 3.1 The Council is invited to:
- i. Approve the financial year budget as noted in **Annex A**.

## **4 Timing for decisions**

- 4.1 The Council is required to approve the budget for the 2008-09 financial year. This would normally take place prior to the start the financial year but has been delayed by the late publication of the WAG budget.

## **5 Council members' interests**

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

## **6 Further information**

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## 7 Programme Budget 2007-08

- 7.1 The programme cash balance carried forward to the new financial year 2008-09 is £5.6m.

## 8 Programme Budget 2008-09

- 8.1 In April 2008 Budget holders submitted cash expenditure profiles for academic year 2008/09 and revised cash expenditure profiles for the remaining four months of the current academic year 2007/08. The 2008-09 financial year cash projection has been derived from these two submissions and it indicates cash expenditure of £436.2m for 2008-09. This is lower than the amount of GIA available from WAG by £4.8m. The programme budget 2008-09 is attached as **Annex A**.

### Recurrent Expenditure

- 8.2 The funds available are the £390m of grant in aid together with a negative balance brought forward of £6.4m, resulting from Council decisions to advance academic year 2007/08 expenditure into financial year 2007-08, and other income of £0.7m, giving a total of £384.2m. The other income represents reimbursement from WEFO of expenditure on European projects. Projected expenditure in the financial year is £380.2m. In completing the cash expenditure profiles budget holders have already taken into account any amounts brought forward from prior financial years. The net effect is that the projected year-end recurrent cash balance is £4m. During the financial year officers will present plans for cash expenditure in respect of this balance prior to the financial year end. This objective ties in with Council's decision to target funding on strategic areas.

### Open University

- 8.3 At present WAG is not in a position to confirm the funds available in 2008-09 so an assumed amount equal to the profiled cash expenditure has been included for budgeting purposes. There was a carried forward balance of unspent funds of £327k at the end of 2007-08. The current projected cash expenditure in the financial year is £7.9m, leaving a year-end balance of £327k. However, it is expected that most of this remaining balance will be spent in the financial year as the Open University's ITT accreditation has been finalised.

### Reaching Higher: Reconfiguration and Collaboration, and One Wales

- 8.4 The Reaching Higher budget includes Reconfiguration and Collaboration and additional funds which are ring-fenced to support One Wales commitments as they become clear during the year
- 8.5 The grant available for Reconfiguration and Collaboration in 2008-09 is £12.5m plus a brought forward cash figure of £4m. Estimated expenditure is £16.4m which results in a projected cash balance of £0.1m.

8.6 The ring-fenced grant available for One Wales in 2008-09 is £1.7m plus a brought forward cash figure of £4.3m. This new initiative was announced in the WAG remit letter and, at present, plans are at an early stage of development. Officers will notify Council of these plans in due course and it is anticipated that they will use much of the projected cash balance of £6m.

#### Reaching Higher: Reaching Wider

8.7 The grant available for Reaching Higher in 2008-09 is £2m plus a brought forward cash figure of £216k. Estimated expenditure is £2.2m which results in a projected cash balance of £30k.

#### Capital Budget

8.8 The Capital budget is £23.7m plus a brought forward figure of £0.6m, together with estimated expenditure of £24.3m which will result in a nil cash balance.

8.9 The Reaching Higher Capital funds available are £3m with a brought forward figure of £2.7m. Estimated cash expenditure is £5.1m which results in a projected cash balance of £0.6m at the year end.

## **9 Financial implications**

9.1 This paper sets out the Council's financial year programme budget, which has been determined so as to remain within the available grant in aid and balances brought forward.

9.2 This paper notes that, at present, the WAG cash threshold target of two percent of total grant will not be achieved by setting this budget, as the year end projected cash balance is £11m which represents 2.5 percent of the funds available. This outcome should be expected at this point as Council officers are currently working on plans to implement initiatives within the current financial year that will use more of the cash available that is currently profiled. This objective reflects Council's decision to target funding on strategic areas rather than through the funding formula. The net effect is that HEFCW will implement a financial year programme budget that ensures that HEFCW remains with the WAG target of a cash threshold of two percent of grant available.

9.3 It should be noted that there are two existing areas of projected cash expenditure which could represent a risk to this strategy, i.e. Reconfiguration and Collaboration fund and Strategic Development fund as these initiatives are heavily reliant upon HEIs actions in terms of submission of quality bids through to actual cash expenditure. As can be seen from the committed sums brought forward into 2008-09 these initiatives are already behind in terms of cash expenditure versus profile. Council officers will need to ensure that a

similar level of slippage does not occur in 2008-09 and this will be undertaken through the existing procedures of monthly monitoring and quarterly re-profiling of cash expenditure.

## **10 Communications implications**

- 10.1 This report has no communications implications as it is an internal report on HEFCW's Programme funds for financial year 2008-09.

## **11 Diversity and Equal Opportunities implications**

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

## **12 Risk Assessment**

Risk	Action To Address Risk
HEFCW will not set a Programme budget	If a programme budget is not set for 2008-09 within the funding available then HEFCW will be in breach of its Financial Memorandum