

Meeting	Agenda Item	Reference No
12/12/08	24	HEFCW/08/102

1 Issue

- 1.1 This paper informs Council of the financial monitoring on programme and running costs expenditure for the period April to September 2008 (Q2). It also provides an update on the financial year end position for 2008-09.

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 2008-09 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

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7 Programme funds

- 7.1 Cash expenditure in quarter two was £120.5m which matched the projected cash expenditure.
- 7.2 In October 2008 Budget Holders completed a re-profiling exercise and this indicated that the projected programme cash expenditure in financial year 2008-09 is now £434m. This is lower than the original profile of £436.2m by £2.2m or half of one percent. However, the quarter two projection of cash expenditure includes £2.5m for ITT Reconfiguration which was not included in the original cash profile. Therefore the underlying movement is a fall of £4.7m or one percent which is due to a fall in the amount expected to be spent for Reconfiguration and collaboration.

8 Running Costs

- 8.1 Actual cash expenditure of £0.9m was £105k or ten percent lower than projected. This under-spend flows from delays in projected cash expenditure for the air conditioning system of £58k and due to lower than expected levels of cash spend on Hardware Purchases, Software purchases and maintenance, and staff training. It is expected that activity levels and cash expenditure will now be higher than expected to redress this balance in the second half of the financial year.
- 8.2 In October 2008 Budget Holders completed a re-profiling exercise and this indicated that the projected running costs cash expenditure in financial year 2008-09 is now £3.5m which is in line with the previous profile.

9 Year end Cash balance

- 9.1 The projected cash balance at the end of March 2009 is £18.8m consisting of £18.7m programme and £0.1m running costs. This represents 4.2 percent of the funds available and would exceed the two percent carry forward limit as set by WAG by £9.8m.
- 9.2 The main issue is continuing slippage in the payment of ring fenced funds for Reaching Higher as £14.4m of the £18.7m flows from this area. HEFCW is committed to pay these funds but the on-going delays between making the commitment and making the cash payment can be significant. This means that HEFCW will, once again, have to implement measures to address its cash balance in order to stay within WAG limits.
- 9.3 Council officers are in the process of drawing up these proposals and will report to Council later in the year.

10 Average Payment Days

- 10.1 HEFCW is required to pay 95 percent of all payments within thirty days of receipt. The figure achieved in the first quarter of financial year 2008-09 exceeded this target as it stands at 98.5 percent.

11 Financial implications

- 11.1 This paper sets out the current position against the Council's financial year cash profile. It shows that the Council is 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 the financial year, and needs to implement corrective action to address this. Council officers are in the process of drawing up proposals to address this issue.

12 Communications implications

- 12.1 This report has no communications implications as it is an internal report on HEFCW's financial position in financial year 2008-09.

13 Diversity and Equal Opportunities implications

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

14 Risk Assessment

Risk	Action To Address Risk
HEFCW will exceed its maximum permitted cash balance.	Officers will implement proposals for additional expenditure which will enable HEFCW to remain within the maximum permitted cash balance.