

Cash expenditure report for the period April to Sept 09
Quarter 2
HEFCW Financial Year 2009-10

Disclosable

| Meeting | Agenda Item | Reference No |
|----------|-------------|--------------|
| 11/12/09 | 21 | HEFCW/09/116 |

1 Issue

- 1.1 This paper informs Council of the financial monitoring on programme and running costs cash expenditure for quarter two of financial year April 2009 to March 2010.

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 2009-10 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 costs

- 7.1 Programme funds cash expenditure in quarter two was £131.7m which was £5.7m or four percent lower than projected cash expenditure of £137.4m. The lower level of cash spend flows from delays in the timing of committed payments across most areas. The exception is in the area of Reaching Higher Capital where expenditure was higher than predicted although this flowed from under-spends in prior periods.
- 7.2 In October 2009 Budget holders undertook a re-profiling exercise and the latest projection is for a total cash spend of £457.6m in 2009-10. This is higher than indicated in the previous re-profile as it includes spend relating to the £7m of Capital funds that WAG has brought forward from 2010-11 into the current financial year.

8 Running Costs

- 8.1 Running Costs cash expenditure was £790k which is lower than the planned cash expenditure of £916k by £125k or 13.6 percent. The majority of the cash under-spend flows from timing delays in projected cash expenditure relating to hardware and software purchases and IMT consultancies.
- 8.1 In October 2009 Budget holders undertook a re-profiling exercise and the latest projection is cash expenditure of £3.2m in 2009-10. This is £240k or 6.9 percent lower than the previous re-profile. The main areas to highlight are a decrease in staff costs due to authorised long-term staff absences, lower costs for repairs and renewals and capital items and staff training.

9 Year-end cash balance

- 9.1 The October 2009 re-profile indicates a projected cash balance at the end of March 2010 of £18.4m. This equals 3.9 percent of the total grant in aid funds available and is higher than the two percent carry forward limit set by WAG.

10 Payment Days

- 10.1 HEFCW is operating under the WAG target to pay suppliers of goods and services within 10 working days of receiving a valid invoice. During the second quarter of 2009-10 HEFCW paid 95 percent of invoices within 10 working days, with an average payment time of 2.3 working days.

11 Financial implications

- 11.1 This paper notes that, on current projections, the WAG cash threshold target of two percent of total grant would not be achieved. This is primarily caused by the £11.7m projected cash balance in ring-fenced Reaching Higher funds. In completing the re-profile HEFCW officers adopted a prudent approach and only included known cash commitments. This is particularly the case with the

One Wales fund as in-year funds have not been profiled as HEFCW is awaiting guidance from WAG. Therefore the actual outturn may be lower than currently envisaged and be below the two percent target if all £8.6m One Wales funding available is spent. HEFCW Officers will continue to closely monitor actual versus profiled cash spend.

12 Communications implications

12.1 This report has no communications implications as it is an internal report on HEFCW's Programme and running costs funds for financial year 2009-10.

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. |