

**Disclosable**

Meeting Date  
11/12/09

Agenda Item  
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Reference No  
HEFCW/09/117

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**Issue**

- 1 This paper presents the accruals based management accounts report for the period April to September 2009 (Q2).

**Rationale for paper**

- 2 HM Treasury has required the public sector to move gradually towards the preparation of accruals based management accounting to supplement the annual statutory accounts, prepared on the same basis. These quarterly accounts are therefore in addition to and not a substitute for, the cash based quarterly reports for running and programme costs, which are still required to ensure that HEFCW remains within its cash limit.

**Recommendation**

- 3 The Council is invited to:
  - i) Note the second financial report on the management accounts prepared on an accruals basis for the period April to September 2009.

**Council members' interests**

- 4 No conflict of interests have been declared in advance of the meeting.

**Further information**

- 5 Contact Nick Williams (Tel 029 2068 2299; E mail [Nick.Williams@hefcw.ac.uk](mailto:Nick.Williams@hefcw.ac.uk))

## Background

- 6 HEFCW's financial management reporting has to date, been prepared on a cash basis, in order to monitor cash expenditure and manage the requirement under the Financial memorandum with WAG, to not exceed two percent of HEFCW's total annual grant-in-aid as a cash balance at the end of the financial year on 31 March. Once a year, HEFCW prepares statutory accounts that are prepared on the conventional 'accruals' basis. The difference between the two bases is that the statutory accounts take account of items such as unpaid liabilities, accrued and prepaid expenditure, any debts owing to HEFCW and fixed asset depreciation costs. These same adjustments are now made on a quarterly basis and result in these accruals based management accounts.
- 7 This paper includes an Operating Cost Statement (**Annex A**) for the six months ended 30 Sept 2009 and a Statement of financial position (**Annex B**) as at 30 Sept 2009 with comparative figures for quarter two of the prior financial year. The format of these two statements has been revised in line with the International Financial Reporting Standards requirements which will apply to HEFCW's annual statutory accounts for 2009-10.

## Operating cost statement

- 8 This report indicates that total funding of HE expenditure for the six months is £249m in 2009-10 compared to £238m in 2008-09, a pro-rata increase of five percent which flows from recurrent expenditure.
- 9 Staff costs for the six months amount to £1m which is in line with last year's figure. However, it should be noted that the level of expenditure in quarter two was lower than expected as the pay award for 2009-10 is outstanding. It is expected that the full year figure will be in line with the prior year.
- 10 Other expenditure costs for the six months in 2009-10 amounts to £294k compared to £422k for 2008-09 which is a pro-rata decrease of 30 percent. This is a mixture of genuine lower levels of expenditure expected in 2009-10 together with expenditure slippage and the falling out of a number of 'one-off' costs in 2008-09 that related to organisational re-design.
- 11 Income from activities of £5.7m represents funds for RCIF and ESF (Go Wales). This is proportionately much higher than last year as the level of funds for RCIF will increase by £3m and there were no funds relating to ESF in 2008-09.
- 12 The net operating costs for the six months amounts to £245m compared to £237m in 2008-09.
- 13 The 'Statement of changes in reserves' reflects the net operating costs for the period of £245m and the total grant-in-aid income received from WAG of £246m. This has increased the general fund balance to £6.1m at 30 Sept 2009.

## Statement of Financial position

- 14 Non-current asset movements in the six months reflect no additions and total depreciation charges of £34k.
- 15 Trade and other receivables have increased from £178k at 30 Sept 2008 to £484k at 30 Sept essentially because of an outstanding GO Wales ESF sum due from WEFO and lower prepayments. Other receivables consists of prepaid expenses and accrued bank interest receivable.
- 16 Trade and other payables almost entirely consist of accrued expenses, the largest of which relates to the air conditioning replacement costs and holiday pay.

## Financial implications

- 17 As this financial report is accruals based there are no financial or resource implications arising from this paper and has no bearing on HEFCW's cash position at the end of the current financial year.

## Publicity / communications implications

- 18 This report has no publicity or communications implications as it is an internal report on HEFCW's accruals based management accounts for quarter two of the current financial year.

## Diversity and equal opportunities implications

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

## Risk assessment

Risk	Action To Address Risk
HEFCW's annual statutory accounts are not monitored throughout the year on a quarterly basis in breach of Treasury guidance.	Quarterly accounts are presented to Council prepared on an accruals basis, for monitoring purposes.