

Disclosable

Meeting Date
13/03/09

Agenda Item
18

Reference No
HEFCW/09/23

Issue

- 1 This paper presents the accruals based management accounts report for the period April to December 2008 (Q3). This is the second time that a financial report on an accruals basis has been presented to Council.

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 December 2008 (Q3).

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).

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 nine months ended 31 December 2008 and a Balance Sheet (**Annex B**) as at 31 December 2008 with comparative figures from the 2007-08 statutory annual accounts.

Operating cost statement

- 8 The Q3 report indicates that total expenditure for the nine months is £370.1m compared to £457.3m for the year 2007-08 which is a pro-rata increase of eight percent. This reflects a combination of an increase in recurrent and capital expenditure, arising from the remit letter funding increases for 2008-09, and a reduction in Research Investment Fund (RIF) expenditure, compared to Science Research Investment Fund (SRIF) expenditure last year.
- 9 Administration costs for the nine months amount to £661k compared to £708k for 2007-08. Organisational re-design-related costs in the areas of recruitment and accommodation costs, together with the costs of two away days and the commencement of the pay and grading review have contributed to this higher level of costs in the first nine months of 2008-09.
- 10 Staff costs of £1.7m are at similar levels to 2007-08, with the cost of additional posts being balanced out with staff departures not being immediately replaced.
- 11 Income from activities of £5m represents RIF from Department for innovation, Universities and Skills (DIUS). This is proportionately much lower than the £12.5m SRIF received from Office of Science and Innovation (OSI) last year.
- 12 The net operating costs for the nine months amounts to £365.1m compared to £444.7m for the whole of 2007-08.
- 13 The 'movement on general fund' reflects the net operating costs for the period of £365.1m and the total grant-in-aid income received from WAG of £362.8m. This has reduced the general fund balance to £4m at 31 December 2008.

Balance sheet

- 14 Tangible fixed asset movements in the nine months reflect additions of £63k and total depreciation charges of £60k.
- 15 Debtors have decreased from £844k at 31 March to £163k at 31 December, essentially because all outstanding GO Wales European Social Fund (ESF) sums due from Welsh European Funding Office (WEFO) have been received since March. Debtors now consist of prepaid expenses, accrued bank interest receivable and sums due from WAG re secondment costs.
- 16 Creditors almost entirely consist of accrued expenses, the largest of which are bank interest received of £259k to be surrendered to WAG in March 2009, and £158k for HEFCW's estimated share of the air conditioning replacement costs to be spread over the period to 2009-10.

Financial implications

- 17 As this financial report is accruals based there are no financial implications arising from this paper, which has no bearing on HEFCW's cash position at 31 March 2009.

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 three of financial year 2008-09.

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

20

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