

Meeting	Agenda Item	Reference No
13/03/09	10	HEFCW/09/17

1 Issue

- 1.1 This paper presents for approval the financial year programme and running costs budget for HEFCW, on a cash basis, including the cash brought forward, for the period 2009-10. Although the majority of the Council funding is allocated on an academic year basis, its income from WAG is received on a financial year basis, and its accounts are prepared on that basis. Council therefore has to approve a financial year budget.

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 2009-10 the programme budget from WAG is £461.3m and the running costs budget is £3.2m.

3 Recommendation

- 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 2009-10 financial year prior to the start of the financial year.

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 2008-09

- 7.1 The estimated programme cash balance to be carried forward to the new financial year 2009-10 is £6.1m.

8 Programme Budget 2009-10

- 8.1 In January 2009 Budget holders submitted cash expenditure profiles for academic year 2009/10 and revised cash expenditure profiles for the remaining four months of the current academic year 2008/09. The 2009-10 financial year budget has been derived from these two submissions and indicates cash expenditure of £447m for 2009-10. This is lower than the amount of GIA available from WAG by £14m. The programme budget 2009-10 is attached as **Annex A**.

Recurrent Expenditure

- 8.2 The funds available are £397.2m of grant in aid together with a negative balance brought forward of £2.2m, resulting from Council decisions to re-profile academic year 2008/09 expenditure into financial year 2008-09, and other income of £1.5m, giving a total of £396.5m. The other income represents reimbursement from WEFO of expenditure on European projects. Projected expenditure in the financial year is £392m. 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 £4.5m.

Reaching Higher: Reconfiguration and Collaboration, and One Wales

- 8.3 The grant available for Reconfiguration and Collaboration in 2009-10 is £17.4m plus an estimated brought forward cash figure of £7.2m. Estimated expenditure is £19.4m which results in a projected lower cash balance of £5.2m.
- 8.4 The ring-fenced grant available for One Wales in 2009-10 is £8.3m plus an estimated brought forward cash figure of £2.8m. This is a relatively new initiative and, at present, plans remain at an early stage of development with only limited guidance from WAG about likely areas of expenditure. In light of this, officers took a cautious approach in completing the cash profile of expenditure in 2009-10 and only included known amounts. This results in projected cash expenditure of only £2.5m. It is expected that as plans progress, and WAG guidance becoming clearer, the projected cash balance of £8.6m will significantly decrease.

Capital Budget

- 8.5 The Capital budget is £21.7m plus an estimated negative cash brought forward figure of £6.5m resulting from Council decisions to re-profile payments into financial year 2008-09 in order to help HEIs contribute to combating the economic downturn. Estimated expenditure is £15.2m which will result in a nil cash balance.

- 8.6 The Reaching Higher Capital funds available are £6.8m with an estimated cash brought forward figure of £4.6m. Estimated cash expenditure is £7.7m which results in a projected cash balance of £3.7m at the year end.

9 Running Costs 2009-10

- 9.1 The running costs budget is £3.2m plus an estimated brought forward figure of £283k. Estimated expenditure is £3.5m which will result in a cash balance of £40k.

10 Financial implications

- 10.1 This paper sets out the Council's financial year programme and running costs budget, which has been determined so as to remain within the available grant in aid and balances brought forward.
- 10.2 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 £22m which represents 4.7 percent of the funds available. This outcome is to be anticipated 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 than is currently profiled. This reflects Council's decision to target more funding on strategic areas rather than through the funding formula. The net effect is that HEFCW will implement a financial year programme and running costs budget that ensures that it remains with the WAG target of a cash threshold of two percent of grant available.
- 10.3 It should be noted that the main areas of projected cash expenditure which could represent a risk to this strategy are ring fenced Reconfiguration and Collaboration fund and Reaching Higher Capital 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 2009-10 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 2009-10 and this will be undertaken through the existing procedures of monthly monitoring and quarterly re-profiling of cash expenditure.

11 Communications implications

- 11.1 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.

12 Diversity and Equal Opportunities implications

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

13 Risk Assessment

Risk	Action To Address Risk
HEFCW will not set a Programme or running costs budget	If a programme or running costs budget is not set for 2009-10 within the funding available then HEFCW will be in breach of its Financial Memorandum