

Meeting
14/03/14

Agenda Item
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Reference No
HEFCW/14/29

1 Issue

- 1.1 This paper presents the accruals based management accounts report for the period April to December 2013.

2 Rationale for paper

- 2.1 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.

3 Recommendation

- 3.1 The Council is invited to:
- i. Note the third financial report on the management accounts prepared on an accruals basis for the period April to December 2013.

4 Council members' interests

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

5 Further information

- 5.1 contact Nick Williams (Tel 029 2068 2299; E-mail: nick.williams@hefcw.ac.uk)

6 Background

- 6.1 This paper includes a Statement of Comprehensive Net Expenditure (**Annex A**) for the nine months ended 31 December 2013 and a Statement of financial position (**Annex B**) as at 31 December 2013 with comparative figures for the prior financial year.

7 Statement of comprehensive net expenditure

- 7.1 This report indicates that total funding of HE expenditure for the nine months is £258.6m compared to £278m for the year 2012-13, a pro-rata decrease of 7 percent. This decline is expected as the overall level of recurrent funds available from WG is falling. 'Other purposes' expenditure is lower than the prior comparator due to the reclassification by WG of UHOVI funds from 'other purposes' to Recurrent.
- 7.2 Staff costs for the nine months amount to £1,349k compared to £1,747k for 2012-13 which is a pro-rate decrease of £398k or 23 percent. This decrease reflects the reduction in staff numbers and therefore costs as a result of the Voluntary Exit scheme which was completed at 31 March 2013. The decrease also reflects the transfer of £178k from programme funds to Running Costs as per the agreement with WG.
- 7.3 Administration costs for the nine months amount to £349k compared to £477k for 2012-13 which is a pro-rata decrease of £128k or 27 percent. The decrease is mainly due to lower accommodation costs in 2013-14 due to the move to three floors together with lower IT costs following a large 'one-off' cost for software licences purchases in 2012-13.
- 7.4 Income from activities in the quarter is £5.6m compared to £6.3m in the prior year. The decrease is due to the reclassification by WG of UHOVI funds from 'other purposes' to Recurrent.
- 7.5 The net operating costs for the nine months amounts to £260m which is a reduction of £20m from the same period last year.
- 7.6 The 'Statement of changes in taxpayers' equity' reflects the net operating costs for the period of £260m and the total grant-in-aid income received from WG of £254.5m. This has decreased the general fund balance of £11.8m at 31 March 2013 to £6m at 31 December 2013.

8 Statement of Financial position

- 8.1 Non-current asset movements of £15k since 31 March 2013 reflect the net effect of capital additions and depreciation.
- 8.2 Trade and other receivables have fallen from £12.7m at 31 March 2013 to £6.5m at 31 December 2013. Year-end debtors included £11.7m due from WG which was received in April. The December 2013 figure consists of prepayments, WEFO accrued income and a debtor from HEFCE for the UK Research Partnership Investment Fund.
- 8.3 Trade and other payables at 31 March 2013 of £7.4m consisted of £6m capital funding from WG to be paid to institutions plus accrued expenses, the largest of which relates to Voluntary exit costs of £395k. These large items were paid

during the first quarter. The balance at 31 December 2013 consists almost entirely of accruals.

- 8.4 The reduction in total assets less liabilities from £11.8m at 31 March 2013 to £6m at 31 December 2013 reflects the on-going tighter cash controls imposed upon HEFCW and an outstanding debtor from WG at 31 March 2013 in respect of University of Glamorgan / University of Wales Newport merger. This also resulted in a reduction in cash balances held from £6.5m at 31 March 2013 to £3.7m by the end of December 2013.

9 Financial implications

- 9.1 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.

10 Publicity / communications implications

- 10.1 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 the current financial year.

11 Diversity and equal opportunities implications

- 11.1 This paper has no implications for age, disability, marital/civil partnership, maternity/pregnancy, race, religion or belief, sex, sexual orientation, or any other protected characteristic or the Welsh language.

12 Risk Assessment

12.1

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.