

Meeting	Agenda Item	Reference No
04/07/14	19	HEFCW/14/59

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## **1 Issue**

- 1.1 This paper informs Council of the financial monitoring of programme and running costs cash expenditure for the period April 2013 to March 2014 and provides an update for the financial year, April 2014 to March 2015.

## **2 Corporate Planning Implications / Rationale for paper**

- 2.1 HEFCW's Financial Memorandum with the Welsh Government (WG) places a requirement 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 to Council quarterly.

## **3 Recommendation**

- 3.1 The Council is invited to:
- i. note the fourth and final progress report on actual performance against cash profile for the 2013-14 financial year, and,
  - ii. note the updated report on the 2014-15 financial year.

## **4 Timing for decisions**

- 4.1 The Council is not required to make any decision 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**

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

## **7 Programme 2013-14**

- 7.1 Programme funds cash expenditure between April 2013 and March 2014 was £402.4m which was £40.2m or 11 percent higher than the projected cash expenditure of £362.2m. The over-spend was in Public Investment Funds, Teaching, PGR and QR as funds available within the Academic Year were brought forward into Financial Year 2013-14 in order to stay within the permitted year-end cash threshold.

## **8 Running Costs 2013-14**

- 8.1 The cash spend in FY 2013-14 was £2,807k which was £166k or 5.6 percent lower than the previous re-profile with the under-spend primarily in the areas of staff costs and IT. The staff costs were lower than projected as they had included payment of a pay award, however, negotiations are still on-going and the full impact of the pay award is now included in FY 2014-15. For IT the majority of the under-spend is regarded as free funds and has not been carried forward into FY 2014-15. The outcome is that the actual cash balance held at 31 March 2014 was £1,076k which was £156k higher than the £920k the previous re-profiling exercise had indicated. The cash figure included adjustments to reflect the receipt of £6k from WEFO, and £4.4k from Jobs Growth Wales, as a contribution to overheads. The contribution is £10k lower than expected as there was an unpaid WEFO claim as at 31 March 2014.

## **9 Financial year 2013-14 closing cash balance**

- 9.1 The total closing cash balance at 31 March 2014 was £1.9m and was affected by the decision to bring forward into March 2014 some payments that had originally been profiled for later in Academic Year 2013/14.

## **10 Transfers from Programme Budget to Running Costs 2014-15**

- 10.1 HEFCW has approval from WG to transfer £250k of Programme funds to Running Costs in 2014-15 in relation to activities that are associated with HEFCW's delivery of some programme initiatives.
- 10.2 HEFCW submits claims to WEFO as a result of expenditure on European projects. A proportion of the income received is transferred to Running Costs as a contribution to overheads and the estimated transfer in FY 2014-15 is £20k.
- 10.3 HEFCW submits claims to WG as a result of expenditure on Jobs Growth Wales and a proportion of the income received is transferred to Running Costs as a contribution to overheads and the estimated transfer in FY 2014-15 is £5k.

## **11 Programme 2014-15**

- 11.1 The grant-in-aid available from WG in 2014-15 is £360m which is £22m lower than the prior year. It should be noted that this figure may change at the end of the financial year due to the application of the 'netting off' adjustment of the receipts figure of £2.8m, which could result in additional programme funds

being available to HEFCW, where actual receipts for the year are lower than £2.8m, although the sum is not likely to be significant.

- 11.2 Other income is estimated at £20.7m in 2014-15. £14.9m flows from DBIS and WG match funds, UK Research Partnership Investment Fund and funds from WG for Janet 6. In each of these cases, the income directly matches the financial year cash spend and if the income was not received then the expenditure would not be defrayed. £3.8m relates to WEFO income for the Convergence Project and £2m from WG for the Jobs Growth Wales project. In both of these cases this income is reimbursement of expenditure already defrayed by HEFCW.
- 11.3 The estimated total funds available in FY 2014-15 is £381m.
- 11.4 In April 2014 Budget holders undertook a re-profiling exercise and the latest projection is cash expenditure on programme funds of £347.6m in 2014-15. This is lower than the original profile although it should be noted that the setting of the Academic Year 2014/15 budget had been delayed and this, in turn, affected the projections of FY cash spend in 2014-15. The cash expenditure profile includes programme and other income areas as identified above.

## **12 Running Costs 2014-15**

- 12.1 The grant-in-aid available from WG is £2,768k which is the same as the prior year.
- 12.2 In April 2014 a re-profile of projected cash expenditure was completed which indicated Running Costs cash expenditure of £2,877k in 2014-15 which is higher than the original profile by £101k or 3.6 percent. The majority of this revised spend flows from committed but unspent funds that have been carried forward into FY 2014-15 from the prior year. The expected cash spend figure of £2,877k is after the transfer of £250k from programme funds to running costs as per the agreement with WG.
- 12.3 As a result of the April re-profiling exercise the estimated cash balance for the end of 2014-15 is now £992k which is £55k higher than the previous original profile of £936k. The estimated cash figure includes adjustments to allow for the receipt of £20k from WEFO and £5k from Jobs Growth Wales as contributions to overheads.

## **13 Financial year 2014-15 cash balance**

- 13.1 The estimated closing cash balance for 2014-15 is £36.1m. This equates to 10 percent of the total funds available and is greater than the current carry forward limit set by WG

## **14 Payment days**

- 14.1 HEFCW is operating under the WG target to pay suppliers of goods and services within ten working days of receiving a valid invoice. In 2013-14 HEFCW paid 94.6 percent of invoices within ten working days, with an average payment time of 1.9 days.

## **15 HEFCW's WGSB Framework document**

15.1 HEFCW's proposed new Framework Document with WG (Annex 4, section 2) states that a profile of net monthly expenditure for the whole year needs to be submitted by HEFCW and agreed by WG. The profile may be updated at any time in the year with the agreement of HEFCW's Council and WG. The Chief Executive's report presented at this Council meeting requested that Council amends the Scheme of Delegation to permit the Chief Executive to approve updates to the monthly profile, as and when required. Approval from WG is obtained through the submission and approval by WG of the monthly Grant-in-Aid claim forms together with updated supporting monthly profiles.

15.2 The original profile and the latest version are noted below.

FY 2014-15	Original Profile	Latest Profile June 2014
April	£ 87,500,000	£ 87,500,000
May	£ 15,750,000	£ 13,500,000
June	£ 2,750,000	£ 2,500,000
July	£ 4,750,000	£ 5,000,000
August	£ 20,500,000	£ 21,000,000
September	£ 57,750,000	£ 62,500,000
October	£ 16,750,000	£ 16,000,000
November	£ 17,500,000	£ 17,500,000
December	£ 15,750,000	£ 15,500,000
January	£ 61,000,000	£ 60,000,000
February	£ 18,000,000	£ 18,250,000
March	£ 44,518,000	£ 37,268,000
Total	£ 362,518,000	£ 362,518,000

## **16 Financial implications**

16.1 This paper notes that, if no action were taken, the WG cash threshold target of two percent of total funds available, would be exceeded.

16.2 Throughout the financial year officers monitor the cash flow estimate for the end of the financial year to ensure that the maximum threshold set by WG is not breached.

## **17 Communications implications**

17.1 This report has no communications implications as it is an internal report on HEFCW's Programme and running costs funds for financial year 2014-15.

## **18 Diversity and Equal Opportunities implications**

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

## 19 Risk Assessment

Risk	Action To Address Risk
HEFCW might exceed its maximum permitted cash balance.	If necessary, officers will bring forward proposals for additional expenditure which will enable HEFCW to remain within the maximum permitted cash balance.