

Cash expenditure report for the period April to June
2014 and update on financial year 2014-15

Disclosable

Meeting	Agenda Item	Reference No
25/09/14	18	HEFCW/14/76

1 Issue

- 1.1 This paper informs Council of the financial monitoring of programme and running costs cash expenditure for the period April to June 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 first progress report on actual performance against cash profile for the 2014-15 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

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7 Financial year 2013-14 closing cash balance

- 7.1 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.

8 Transfers from Programme Budget to Running Costs 2014-15

- 8.1 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.
- 8.2 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.
- 8.3 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.

9 Programme 2014-15

- 9.1 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.
- 9.2 Other income is estimated at £20.8m in 2014-15. £14.7m flows from DBIS and WG match funds and UK Research Partnership Investment Fund. 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 £2.3m from WG for the Jobs Growth Wales project. In both of these cases this income is reimbursement of expenditure already defrayed by HEFCW.
- 9.3 The estimated total funds available in FY 2014-15 is £380.8m.
- 9.4 Cash spend within the period April to June 2014 was £106.3m which was £3m or 2.8 percent lower than the £109.3m predicted in the previous re-profile. The variance is due to lower than expected cash spend in Strategic Development funds due to delays in the timing of payments.
- 9.5 In July 2014 Budget holders undertook a re-profiling exercise and the latest projection is cash expenditure on programme funds of £348.2m in 2014-15 which is higher than the previous re-profile by £0.6m or 0.2 percent. The cash expenditure profile includes programme and other income areas as identified above.

10 Running Costs 2014-15

- 10.1 The grant-in-aid available from WG is £2,768k which is the same as the prior year.
- 10.2 In July 2014 a re-profile of projected cash expenditure was completed which indicated Running Costs cash expenditure of £2,823k in 2014-15 which is lower than the previous re-profile by £29k or one percent. The expected cash spend figure is after the transfer of £250k from programme funds to running costs as per the agreement with WG and adjustments to allow for the receipt of £20k from WEFO and £5k from Jobs Growth Wales as contributions to overheads.
- 10.3 As a result of the July re-profiling exercise the estimated cash balance for the end of 2014-15 is now £1,012k which is £29k higher than the previous re-profile of £983k.

11 Financial year 2014-15 cash balance

- 11.1 The estimated closing cash balance for 2014-15 is £35.6m. This equates to 9.8 percent of the total funds available and is greater than the current carry forward limit set by WG

12 Payment days

- 12.1 HEFCW is operating under the WG target to pay suppliers of goods and services within ten working days of receiving a valid invoice. In 2014-15 HEFCW paid 97.5 percent of invoices within ten working days, with an average payment time of 1.6 days.

13 HEFCW's WGSB Framework document

- 13.1 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 Council has previously agreed 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.
- 13.2 The original profile and the latest version are noted below.

FY 2014-15	Previous re-profile June 2014	Latest Profile August 2014
April	£ 87,500,000	£ 87,500,000
May	£ 13,500,000	£ 13,500,000
June	£ 2,500,000	£ 2,500,000
July	£ 5,500,000	£ 1,500,000
August	£ 21,000,000	£ 19,500,000
September	£ 62,500,000	£ 64,500,000
October	£ 16,000,000	£ 17,500,000

November	£ 17,500,000	£ 17,000,000
December	£ 15,050,000	£ 15,750,000
January	£ 60,000,000	£ 66,000,000
February	£ 18,250,000	£ 17,250,000
March	£ 37,268,000	£ 40,018,000
Total	£ 362,518,000	£ 362,518,000

14 Financial implications

- 14.1 This paper notes that, if no action were taken, the WG cash threshold target of two percent of total funds available, would be exceeded.
- 14.2 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.

15 Communications implications

- 15.1 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.

16 Diversity and Equal Opportunities implications

- 16.1 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.

17 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.