

Meeting	Agenda Item	Reference No
12/03/15	15	HEFCW/15/21

1 Issue

- 1.1 This paper presents for approval the financial year programme and running costs budget for HEFCW, on a cash basis, including an estimate of the cash brought forward, for the period 2015-16. Although the majority of the Council funding is allocated on an academic year basis, its income from WG 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 Framework Document with WG places a requirement upon HEFCW to set a budget within its cash limits. In 2015-16 the programme budget, as noted on the draft remit letter is £107.2m and the running costs budget is £2.8m, total £110.3m. These figures reflect a reduction in HEFCW's budget of £252m for the new arrangements relating to payment of Fee Grant that come into effect on 1 April 2015. However following negotiations with WG this sum has been revised downwards to, between the range of £231m to £236m. It is envisaged that a definite number will be agreed shortly, in the meantime, it has been agreed that the sum of £234m should be used in presenting the FY 2015-16 budget paper to Council. The revised programme budget is £125.2m.

3 Recommendation

- 3.1 The Council is invited to:
- 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 2015-16 financial year prior to the start of the financial year on 1 April 2015.

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 2014-15 cash balance

- 7.1 The estimated total opening cash balance brought forward from 2014-15 is £4.2m and has been affected by the decision to bring forward into March 2015 some payments that had originally been profiled for later in Academic Year 2014/15.

8 Transfers from Programme Budget to Running Costs 2015-16

- 8.1 HEFCW will continue to transfer £250k of Programme funds to Running Costs in 2015-16 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 2015-16 is £6.4k.

9 Programme Budget 2015-16

- 9.1 The grant-in-aid available from WG in 2015-16 is currently noted as £107.2m which is significantly lower than the prior year due to the new arrangements for the payment of Fee Grant whereby the payment is made directly from WG rather than through HEFCW. As noted in paragraph 2.1 the budget figures are not yet confirmed due to the on-going negotiations between WG and HEFCW officers regarding the sum relating to Fee Grant. In addition, £330k Non-GIA is available for CCC Scholarships.
- 9.2 In addition, the budget 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 higher than £2.8m, if WG permits HEFCW to retain excess income.
- 9.3 It should be noted that officers are in discussion with WG officers about the final funds available figure from WG for FY 2014-15, although the sum is only £22k and will not materially affect the funds available figure.
- 9.4 Other income is estimated at £11m in 2015-16. £7.4m flows from DBIS and WG match funds and the income directly matches the financial year cash spend and if the income was not received then the expenditure would not be defrayed. WEFO income accounts for £2.8m and relates to WEFO income for Claim 24 and 25 (the final claim) relating to the Convergence Project and all expenditure has already been incurred. It is envisaged that a new project will start in October 2015 but this date may be subject to change. In addition £0.7m is expected from WG for the Jobs Growth Wales project which ends in 2015 and refers to reimbursement for expenditure already defrayed by HEFCW.
- 9.5 The estimated total funds available in FY 2015-16 is £136.1m, although as noted earlier this is not yet confirmed and is subject to change.
- 9.6 Budget holders submitted cash expenditure profiles for academic year 2015/16 and cash expenditure profiles for the remaining four months of the

current academic year 2014/15. The 2015-16 financial year budget has been derived from these two submissions and is attached as **Annex A**. The total estimated cash spend in FY 2015-16 is £137.3m, an in-year over-spend of £1.1m, although when the expected opening cash balance for FY 2014-15 is taken into account, the projected closing cash balance as at 31 March 2016 is £2m. The cash expenditure profile includes programme and other income areas as identified in para 9.4.

- 9.7 It should be noted that, at the March Council meeting, it is usual for Council to be asked to agree the recurrent grant allocations for the forthcoming Academic Year. However that is not the case this year as the recurrent grant allocations are still being prepared and will now be presented to the May 2015 Council meeting. This has had a knock-on effect on this Financial year paper, as officers had to profile Academic Year budgets that remain subject to change, and any degree of movement will affect the current predicted cash balance for the end of March 2016. Council will be kept up to date with the latest cash prediction for 31 March 2016 through the quarterly re-profiling exercises that are reported to them.

10 Running Costs 2015-16

- 10.1 The grant-in-aid available from WG is £2,768k which is the same as the prior year.
- 10.2 Running Costs estimated expenditure is £2,844k which results in a projected in-year over-spend of £76k. The estimated cash spend is net of receipt of the transfers into Running Costs as identified in paras 8.1 to 8.2.

11 Financial year 2015-16 cash balance

- 11.1 The estimated closing cash balance for 2015-16 is £3m.

12 Financial implications

- 12.1 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 funds from grant in aid and balances brought forward.
- 12.2 This paper notes that, at present, the WG cash threshold target of 2 percent of total funds available, will not be achieved by setting this budget, as the year end projected cash balance of £2.8m represents 2.2 percent of the total funds available.
- 12.3 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.

13 Communications implications

13.1 This report has no communications implications as it is an internal report on HEFCW's Programme and running costs funds for financial year 2015-16.

14 Diversity and Equal Opportunities implications

14.1 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.

15 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 2015-16 within the funding available then HEFCW will be in breach of its Framework Document.