

For information

**Cash expenditure report for the period April to
September 2015 and update on financial year 2015-16**

Agenda: 13
HEFCW/16/07

Disclosable

22/01/2016

1 Issue

- 1.1 This paper informs Council of the financial monitoring of programme and running costs cash expenditure for the period April to September 2015 and provides an update for the financial year, April 2015 to March 2016.

2 Corporate Planning Implications / Rationale for paper

- 2.1 HEFCW's Framework Document 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 Recommendations

- 3.1 The Council is invited to:
- i. note the second progress report on actual performance against cash profile for the 2015-16 financial year, and,
 - ii. note the updated report on the predicted outturn in 2015-16 financial year.

4 Timing for decisions

- 4.1 No decisions required. This is one of the quarterly reports which Council has agreed to receive for information about HEFCW's cash expenditure.

5 Council members' interests

- 5.1 No conflicts of interests have been declared in advance of the meeting.

6 Further information

- 6.1 Contact Nick Williams (029 2068 2299; nick.williams@hefcw.ac.uk)

7 Financial year 2014-15 closing cash balance

- 7.1 The total closing cash balance at 31 March 2015 was £4.1m and was 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 continues 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 transfer in FY 2015-16 is £19k.

9 Programme 2015-16

- 9.1 The grant-in-aid available from WG in 2015-16 is £122.2m 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 to the SLC rather than through HEFCW. The budget figures are not yet confirmed as the exact amount of the transfer for Fee Grant will not be confirmed until the end of the calendar year. In addition, £330k is available for CCC Scholarships.
- 9.2 It should be noted that the grant-in-aid 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, if actual receipts for the year are lower than target. The actual receipts figure for FY 15-16 is £2m, some £800k below target. HEFCW officials will begin discussions with WG regarding the possibility of receiving these additional funds.
- 9.3 Other income is estimated at £11.6m in 2015-16. £7.4m flows from DBIS and WG match funds; £85k for ECTARC and £203k for Police Knowledge Fund. For these initiatives the income directly matches the financial year cash spend and if the income was not received then the expenditure would not be defrayed. £3.2m relates to WEFO income for the Convergence Project and £0.7m from WG for the Jobs Growth Wales project. In both of these cases this income is reimbursement of expenditure already defrayed by HEFCW.
- 9.4 The estimate of total in-year funds available in FY 2015-16 is £134.1m.
- 9.5 In October 2015 Budget holders undertook a re-profiling exercise and the latest projection is cash expenditure on programme funds of £136.8m in 2015-16. This is in line with the previous re-profile. The cash expenditure profile includes programme and other income areas as identified above.

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 In October 2015 a re-profile of projected cash expenditure was completed which indicated Running Costs cash expenditure of £3,103k in 2015-16 which is lower than the previous re-profile by £97k or 3.2 percent. The expected cash spend figure

is after the transfer of £250k from programme funds and the transfer of £19k from the ESF project as a contribution to running costs.

- 10.3 As a result of the October re-profiling exercise the estimated cash balance for the end of 2015-16 is now £990k which is £82k lower than the previous re-profile.

11 Financial year 2015-16 cash balance

- 11.1 The estimated closing cash balance for 2015-16 is £1.1m. This equates to 0.9 percent of the total funds available and is within 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 the period April to September 2015 HEFCW has paid 94.6 percent of invoices within ten working days, with an average payment time of 2.1 days. Prior year comparator is 95.86 percent and an average of 1.7 days.

13 HEFCW's WGSB Framework document

- 13.1 HEFCW's 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 (delegated to the CEO) and WG. 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 is noted below.

FY 2015-16	Original Profile	Revised Profile
April	£ 9,357,736	£ 9,357,736
May	£ 3,500,000	£ 3,500,000
June	£ 5,500,000	£ 5,250,000
July	£ 642,264	£ 1,000,000
August	£ 19,000,000	£ 24,250,000
September	£ 16,500,000	£ 12,000,000
October	£ 14,000,000	£ 13,500,000
November	£ 13,500,000	£ 13,750,000
December	£ 13,500,000	£ 14,000,000
January	£ 13,500,000	£ 13,500,000
February	£ 13,000,000	£ 12,750,000
March	£ 3,481,000	£ 2,953,264
Total	£ 125,481,000	£ 125,481,000

14 Financial implications

- 14.1 This paper notes that the WG cash threshold target of two percent of total funds available is not forecast to 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 the current financial year.

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

- 17.1 Details of any identified risks, current or future, arising from the issues covered by the paper. Generally two levels of risk that should be considered:

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.