

For information

Cash expenditure report for the period April to June 2016

Agenda: 17
HEFCW/16/82

Disclosable

22/09/2016

1 Issue

- 1.1 This paper informs Council of the financial monitoring of programme and running costs cash expenditure for the period April to June 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 first progress report on actual performance against cash profile for the 2016-17 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

- 6.1 Contact Nick Williams (nick.williams@hefcw.ac.uk)

7 Financial year 2015-16 closing cash balance

7.1 The total closing cash balance at 31 March 2016 was £1.6m.

8 Transfers from Programme Budget to Running Costs 2016-17

8.1 HEFCW continues to transfer £250k of Programme funds to Running Costs in 2016-17 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 2016-17 is £35.7k.

9 Programme 2016-17

9.1 The recurrent grant-in-aid available from WG in 2016-17 is £115.9m which includes the £21.1m transfer for student tuition fees, £5m earmarked for part-time and £5m earmarked for research capacity and excellence. In addition, £330k is available for CCC Scholarships.

9.2 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. We will have a clearer idea of the likely sum later in the financial year, once HEIs have submitted a re-profile of expected expenditure to HEFCW.

9.3 Other income is estimated at £16.8m. £7m flows from BIS and WG match funds; £9.7m for the UKRPIF project at Cardiff University and £0.2k for the Police Knowledge Fund. In all cases, the income directly matches the financial year cash spend and if the income was not received then the expenditure would not be defrayed.

9.4 The current total of funds available is £133.1m.

9.5 The total estimated cash expenditure is £132.9m, an in-year under-spend of £168k, although when the programme opening cash balance is taken into account, the projected programme closing cash balance, as at 31 March 2017, is £373k. The cash expenditure profile includes programme and other income areas as identified above.

9.6 It must be emphasised that the £21.1m transfer to our budget referred to above is at risk and the consequences and implications of not retaining this funding are addressed elsewhere on the agenda for this Council meeting.

10 Running Costs 2016-17

10.1 The grant-in-aid available from WG is £2.491m which is a ten per cent reduction from the previous year's allocation.

10.2 Running costs projection of cash expenditure is £2,911k, £420k higher than the in-year allocation. However, when the opening cash balance is taken into account, the estimated closing cash balance as at 31 March 2017 is £972k. The estimated cash

spend is net of the receipts of transfers, as identified in paras 8.1 and 8.2. It also takes into account the 'one-off' receipt of £210k as financial compensation from the Llanishen premises' landlord. We have sought permission from our sponsor division to retain this receipt and are awaiting a response.

11 Financial year 2016-17 cash balance

- 11.1 The total estimated closing cash balance is £1.3m. This equates to 1.14 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 June 2016 HEFCW has paid 94.1 percent of invoices within ten working days, with an average payment time of 2.73 days. Prior year comparator is 95.2 percent and an average of 2 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 2016-17	Original Profile	Revised Profile
April	£ 19,750,000	£ 19,750,000
May	£ 11,000,000	£ 11,000,000
June	£ 8,500,000	£ 8,500,000
July	£3,250,000	£ 3,600,000
August	£ 10,500,000	£ 11,500,000
September	£ 10,500,000	£ 12,500,000
October	£ 10,250,000	£ 12,250,000
November	£ 10,500,000	£ 7,750,000
December	£ 9,750,000	£ 1,250,000
January	£ 12,000,000	£ 3,750,000
February	£ 10,700,000	£ 11,500,000
March	£ 1,771,000	£ 15,121,000
Total	£ 118,471,000	£ 118,471,000

In the event that the £21.1m for the fee grant cost is transferred from our budget the payment profile above will need to be revised. The current payment profile has payments of more than £21.1m scheduled to be made in February and March 2017 and therefore gives scope for funding reductions of up to £21.1m to be made in February/March 2017. However, this payment profile will vary depending on the decisions that Council takes about how the funding reduction should be applied and to which funding lines. The funding paper presented elsewhere on this agenda provides further information to inform that Council decision.

14 Financial implications

- 14.1 Based upon current assumptions, 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

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.
In-year reduction to programme budget as a result of the loss of the transfer of student tuition fees' funding.	Revised budget expenditure proposals to be put to Council for approval in order to accommodate the loss of funding.