

For information

Cash expenditure report for the period April to December 2016

Agenda: 23
HEFCW/17/28

Disclosable

22/03/2017

1 Issue

- 1.1 This paper informs Council of the financial monitoring of programme and running costs cash expenditure for the period April to December 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 third 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 (029 2085 9646); 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 Wales European Funding Office (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 £32k.

9 Programme 2016-17

9.1 Following receipt of the revised remit letter from WG in October 2016 the recurrent grant-in-aid available from WG in 2016-17 is £115m which includes the reduction of £21.1m for tuition fee grant, and the additional sum of £20m that is earmarked for estates rationalisation, higher level apprenticeships, improved links between universities and industries, and, a strategic development fund to promote sector capacity and ability to meet strategic challenges and change. It also includes £65k for HE Leadership Development Programme. 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. HEFCW has now submitted its final claim to WEFO in FY 2016-17 and the resultant receipts figure is expected to be approximately £350k which is significantly below the target figure set by WG. Officers are currently in discussions with WG officials regarding the potential recovery of the shortfall.

9.3 Other income is estimated at £16.8m. £7m flows from Business Energy Industrial Strategy (BEIS) and WG match funds; £7.9m for the UK Research Partnership Investment Fund (UKRPIF) project at Cardiff University, £0.2k for the Police Knowledge; £1.2m for the Global Challenges Research Fund and £0.2m for the Newton 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. In addition, £99k of WEFO funds has been received following submission of claims 1 and 2 for both GO Wales projects and the total estimate for the financial year is £0.3m.

9.4 The current total of funds available is £132.1m.

9.5 The total estimated cash expenditure is £132m, an in-year under-spend of £0.1m, although when the programme opening cash balance is taken into account, the projected programme closing cash balance, as at 31 March 2017, is £0.3m.

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 £2,711k, £220k 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 £1.2m. 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. Sponsor division have agreed that we can retain this receipt.

11 Financial year 2016-17 cash balance

- 11.1 The total estimated closing cash balance is £1.5m. This equates to 1.27 percent of the total funds available and is below the current carry forward limit set by WG. Officers continue to monitor expenditure patterns and will implement any required action to ensure that the financial year end balance remains within the 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 December 2016 HEFCW has paid 93.7 percent of invoices within ten working days, with an average payment time of 2.3 days. The prior year's comparator figures are 98.8 percent and 2.2 days, respectively.

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.

FY 2016-17	October 16 profile	January 17profile
April	£ 19,750,000	£ 19,750,000
May	£ 11,000,000	£ 11,000,000
June	£ 8,500,000	£ 8,500,000
July	£ 3,600,000	£ 3,600,000
August	£ 11,500,000	£ 11,500,000
September	£ 12,500,000	£ 12,500,000
October	£ 11,800,000	£ 11,800,000
November	£ 7,250,000	£ 7,250,000
December	£ 1,000,000	£ 1,000,000
January	£ 1,750,000	£ 1,750,000
February	£ 7,750,000	£ 26,750,000
March	£ 21,036,000	£ 2,036,000
Total	£ 117,436,000	£ 117,436,000

14 Financial implications

- 14.1 This paper notes that the WG cash threshold target of two percent of total funds available will not be exceeded.
- 14.2 Throughout the financial year officers monitor the cash flow estimate for the end of the financial year, and where necessary will implement action, 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.