

For information

**April to December Accruals Based Management
Accounts report 2016-17**

Agenda: 24
HEFCW/17/29

Disclosable

22/03/2017

1 Issue

- 1.1 This paper presents the accruals based management accounts report for the period April to December 2016. These quarterly accounts are in addition to and not a substitute for, the cash based quarterly reports for running and programme costs, which are still required to ensure that HEFCW remains within its cash limit.

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 Council is invited to:
- i. note the financial report on the management accounts prepared on an accruals basis for the period April to December 2016.

4 Timing for decisions

- 4.1 No decisions are required. This is one of the quarterly reports which Council receives for information about HEFCW's accruals based management accounts.

5 Further information

- 5.1 Contact Nick Williams (029 2085 9646 nick.williams@hefcw.ac.uk)

6 Statement of comprehensive net expenditure

- 6.1 This report indicates that total funding of HE expenditure for the nine months is £85.7m compared to £96.9m for the year 2015-16, a pro-rata decrease of 11.6 per cent. 'Other purposes' expenditure has increased by £6m or 155 percent, a significant rise as there were no funds for UK Research Partnership Investment Funds (UKRPIF) in FY 15-16 and HEFCW paid out additional one-off funds from Business Energy Industrial Strategy (BEIS) for Global Challenges Research Fund and Newton fund in December of £1.4m.
- 6.2 Staff costs for the nine months amount to £1,553k compared to £1,479k for the prior year, which is a pro-rata increase of £74k or 5 per cent. The increase reflects payment of contractual incremental steps, where applicable, and the impact of payment of an outstanding pay award that covered two financial years and was back-dated to 1 April 2015.
- 6.3 Administration costs for the nine months amount to £223k compared to £341k in the prior year, which is a pro-rata decrease of £118k or 35 per cent. The year on year comparator is distorted as 2016-17 includes the impact of costs associated with the office move and the receipt of a one-off payment of £210k as part of the settlement from the landlord for leaving the Llanishen site early.
- 6.4 Income from activities in the period is £9.6m and relates to UKRPIF funding of £4.2m and BEIS funding of £3.5m. Additionally, the new European projects are now active and there is a stream of funding in the year for the Police Knowledge Fund. In addition, HEFCW received additional one-off funds for Global Challenges Research Fund and Newton Fund in December 2016 of £1.4m. The prior year comparator is significantly lower at £3.9m as it relates mainly to BEIS funding as the previous UKRPIF funding had finished and the previous European projects had also been completed.
- 6.5 The net operating costs for the nine months amounts to £87.7m compared to £98.8m in the prior year, which represents a decrease of £11.1m from the same period last year, largely due to the reduction in HE expenditure referred to in para 6.1 above.
- 6.6 The 'Statement of changes in taxpayers' equity' reflects the net operating costs for the period of £87.7m and the total grant-in-aid income received from WG of £87m. This has decreased the general fund balance of £14.5m at 31 March 2016 to £13.7m at 31 December 2016.

7 Statement of Financial position

- 7.1 Non-current asset movements in the nine months reflect depreciation charges of £36k. Following the office move to Bedwas in September 2016 a number of fixtures and fittings were disposed of and a loss on disposal of fixed assets of £27k has been recorded. No depreciation is charged during the year of disposal on assets.
- 7.2 Repayable grants falling due after one year remain at £6,150k as £600k is receivable in April/May 2017.
- 7.3 Trade and other receivables have decreased from £6,375k at 31 March 2016 to £3,336k at 31 December 2016 due to the reclaim of sector transfer agency funds and repayment of £3m that had been an outstanding loan from an HEI. This also reflects £600k of repayable grant due in April/May 2017.

- 7.4 Trade and other payables at 31 December 2016 of £284k consist entirely of accrued costs and expenses.
- 7.5 The reduction in total assets less liabilities from £14.5m at 31 March 2016 to £13.7m at 31 December 2016 reflects lower receivables and a higher level of current liabilities.

8 Diversity and Equal Opportunities implications

- 8.1 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.

9 Publicity / communications implications

- 9.1 This report has no publicity or communications implications as it is an internal report on HEFCW's accruals based management accounts for the period April to December 2016.

10 Risk Assessment

Risk	Action to address risk
HEFCW's annual statutory accounts are not monitored throughout the year on a quarterly basis in breach of Treasury guidance.	Quarterly accounts are presented to Management Board prepared on an accruals basis, for monitoring purposes.