

For discussion

HEFCW recurrent budget for financial year 2019-20

Agenda: 10
HEFCW/19/23

Disclosable

21/03/2019

1 Issue

- 1.1 This paper presents the financial year recurrent cash expenditure for the period April 2019 to March 2020 for approval and it provides an update on the estimated outturn for the financial year April 2018 to March 2019.

2 Corporate Planning Implications / Rationale for paper

- 2.1 HEFCW's Framework Document with the Welsh Government (WG) places a requirement upon HEFCW to set a budget within its cash limits.

3 Recommendations

- 3.1 The Council is invited to:
- i. Approve the financial year budget as noted in section 8.5; and
 - ii. Delegate authority to the Chief Executive to amend the budget as required, once the implications of any additional funding to be received for 2018-19 and the 2019-20 draft remit letter are finalised.

4 Timing for decisions

- 4.1 The Council is required to approve the budget for financial year 2019-20 prior to the start of the year on 1 April 2019.

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 (02920 859 646) nick.williams@hefcw.ac.uk

7 Financial year 2018-19 closing cash balance

- 7.1 The estimated total closing cash balance as at 31 March 2019 is £1.4m which represents 1.05% of the total grant-in-aid funding for the year and is within the 2% year-end carry forward threshold set by WG.

8 Recurrent funds 2019-20

- 8.1 The draft grant-in-aid available from WG for recurrent funds is £151.1m.
- 8.2 Other income is estimated at £8.1m, of which £7.0m flows from Business Energy Industrial Strategy (BEIS) and WG matched funding and the balance relates to ESF funding.
- 8.3 The total estimated cash expenditure is £157.9m, an in-year under-spend of £1.3m. When the expected recurrent opening cash balance is taken into account, the projected recurrent closing cash balance as at 31 March 2019 is £2.7m. This equates to 1.78% of the total funds available and is within the current 2% financial year-end carry forward limit set by WG.
- 8.4 HEFCW is responsible for setting its own running costs' budget from the total recurrent funds available. The 2019-20 running costs' budget has been set at £3.6m as approved by Council at the January meeting.
- 8.5

Financial year 2019-20 proposed budget	
Income	£
Draft GIA – recurrent	141,142,000
Draft GIA – capital	10,000,000
Minus depreciation as a non-cash item	(90,000)
Sub total	151,052,000
Other income (Non-grant-in-aid)	8,161,748
Total Income	159,213,748
Expenditure	
Teaching	23,861,662
PGR	5,170,335
QR	71,077,338
Expensive Subject Premium	17,653,985
Open University Mitigation	1,655,490
Degree Apprenticeships	4,332,750
Other recurrent funds	11,827,117
Other expenditure (Non grant-in-aid)	8,699,275
Capital	10,000,000
Running costs	3,644,792
Total Expenditure	157,922,744
In-year balance surplus	1,291,004
Opening balance	1,396,841
Estimated cash balance at end of the FY	2,687,845
As a percentage of total funds available	1.78%
2% of total funds available	3,021,040

- 8.6 It should be noted that the recurrent grant allocations for Academic Year 2019/20 are still being prepared and will be presented to Council at its May 2019 meeting. If any of the budgets change, this will have a knock-on effect on the closing cash balance as at 31 March 2020. Council will be kept up to date on the latest financial year position through the quarterly monitoring reports that are presented to them.
- 8.7 At the time of writing, we whilst we have received the final 2018-19 remit letter, we have not confirmed how the additional funding of £10.6m will be spent. This is likely to have an effect on the closing balance for the 2018-19 financial year and may have an effect on the profiles for the period April to July 2019.
- 8.8 We have received the draft 2019-20 remit letter.

Members are invited to

- i. approve the financial year budget; and*
- ii. delegate authority to the Chief Executive to amend the budget as required, once the 2018-19 and 2019-20 remit letters are confirmed.*

9 HEFCW’s WGSB Framework document

- 9.1 HEFCW’s Framework Document with WG (section 4.2) 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. The proposed profile is noted below.

FY 2019-20 profile	£
April	22,000,000
May	16,000,000
June	11,000,000
July	14,000,000
August	11,750,000
September	11,000,000
October *	21,500,000
November	11,000,000
December	10,750,000
January	500,000
February	7,500,000
March	14,052,000
Total	151,052,000

- Incl of £10m capital funding

10 Financial implications

- 10.1 This paper notes that the WG cash threshold target of two percent of total funds available is not forecast to be exceeded.
- 10.2 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.

11 Communications implications

- 11.1 This paper has no publicity or communications' implications as it is an internal report on HEFCW's recurrent budget for FY 2019-20.

12 Diversity and Equal Opportunities implications

- 12.1 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.

13 Risk Assessment

13.1

Risk	Action to address risk
HEFCW might exceed its maximum permitted cash balance at the financial year-end.	If necessary, officers will bring forward proposals for additional expenditure, which will enable HEFCW to remain within the maximum permitted cash balance.