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## HEALTH AND SAFETY EXECUTIVE

### The HSE Board

## HSC/E MONTHLY FINANCE, STAFFING AND OUTPUT REPORT

### A Paper by Jane Franklin

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**Cleared by Pat Williams on 11 October 2002**

### Management Summary

- This paper provides the Board with the outcome of the mid year review.
- Mid Year forecasts did not yield sufficient reductions to provide assurance that HSE will remain within its financial control limits.
- D/Ds mid year forecasts have been discussed with the three main Budget Holders and they have undertaken to apply further reductions to forecasts in line with the Board's recommendations of 18 September. Forecasts will be reduced by £395k in RPD Group; £270k in Policy Group; and £910k in Operational Group.
- The basis of the calculation is a pro-rating of the difference between Admin Costs forecast and projected outturn based on D/Ds spend in the first half of the financial year (excluding contractual commitments for infrastructure costs).

### Recommendation

The Board is invited to:

- Note the changes on the financial position (Annex 1);
- Agree that the reductions proposed are necessary to reduce the level of risk on HSE Financial Settlement;
- Note that the level of risk that has been agreed is predicated on the delivery of the Income forecast;
- Agree that the £160k set aside for the Change Management Program be held centrally until required;

- Agree that any subsequent requests for additional funding must be found from within the limits set by this paper.

## Outcome of Mid Year Review

1. This paper reports on the outcome of the mid year review of budgets. D/Ds mid year forecasts, whilst reducing the level of risk, still leave HSE with a forecast overspend of £6.2m at the Administration Costs control level and £10.8m at the net resource level against the HSE Settlement . When Cullen funding is taken into account, the overspend reduces to £2.4m and £7m respectively. (This funding will be reflected in future financial reports)
2. Table 1 below provides an illustration of how the reduction in forecast has impacted on the position reported to the Board last month. Details of the current resource position are at Annex 1.

<b>Table 1</b>	<b>Resource Budget: August Forecast</b>	<b>Resource Budget: Mid Year Forecast</b>
Excess on net resource budget	£12.8m	£10.8m
Less double counting from internal transfers		(£0.66m)
Plus unfunded Cullen commitments	£0.35m	-
Plus other unfunded commitments –depending on Board priorities	0.2m	0.16m*
Less Cullen funding	(£3.8m)	(£3.8m)
Less assumed EYF	(£5m)	(£5m)
Required reduction in forecasts	£4.35 +0.2m	£1.58m

\* Represents the agreed £160k for Change Management

3. Although, D/Ds have reduced forecasts by £1.2m, this is insufficient to reduce the level of risk to the target level. PEFD has therefore scrutinised all D/D forecasts against the benchmark of resource outturn to date projected forward to the end of the year. In discussion with budgets holders, we have agreed that:
  - i. Pay forecasts should be reduced by an amount which represents the double counting of internal transfers. Resource for internal recruits within D/Ds will only be covered by internal budget transfers.
  - ii. A further reduction of £1.58m is necessary. Budget holders have agreed that cuts should be made on a prorated basis as follows:

### RPD Group

- Need to find a further reduction of £395k, which represents 0.73% of the variance between Admin Costs Forecast and Projected Outturn.

### Policy Group

- Need to find a further reduction of £270k, which represents 0.73% of the variance between Admin Costs Forecast and Projected Outturn.

### Operational Group

- Need to find a further reduction of £910k, which represents 0.73% of the variance between Admin Costs Forecast and Projected Outturn.

### **Action**

4. The three main budget holders will discuss with sub-budget holders where the necessary reductions are to be made. PEFD will then liaise with finance managers to effect the required changes.

## ANNEX1

### HSE RESOURCE POSITION

1. Table 1 and 2 below reflect HSE's current financial position .

- Table 1 reflects the latest forecast for HSE Main against the Departmental Expenditure Limit (DEL) resource/capital settlement. As reported in previous months we still expect rectification of a recording error in the next Estimates to provide cover for forecast bad debts. HSE DEL Resource settlement figures do not, at this stage, include the additional £3.8m for Cullen implementation.
- The Board has previously agreed that it would not be prudent to reduce available EYF below £4 million.
- The forecast overspend stands at £10.8m resource (£7m when Cullen funding transfer taken into account) and £1.8m capital. At the Administration costs level, forecast overspend stands at £6.2 m (£2.4m when Cullen funding taken into account)
- Table 2 reflects the forecast movement in month

<b>LATEST FORECAST AGAINST BUDGETARY CONTROLS</b>	<b>HSE DEL Resource / Capital Budget Settlement</b>	<b>HSE Budget Forecast (excl HSL)</b>	<b>Variance</b>
Pay	138,642	133,891	(4,751)
GAE	59,492	70,401	10,909
Invest to Save	770	775	5
Modernising Government	505	505	0
<b>Gross Admin costs</b>	<b>199,409</b>	<b>205,572</b>	<b>6,163</b>
Programme costs	53,743	50,938	(2,805)
Bad debts	132	583	451
<b>Total gross costs</b>	<b>253,284</b>	<b>257,093</b>	<b>3,809</b>
Income	(58,343)	(51,324)	7,019
<b>Net Resource budget</b>	<b>194,941</b>	<b>205,769</b>	<b>10,828</b>
<b>Capital budget</b>	<b>6,365</b>	<b>8,115</b>	<b>1,750</b>

<b>TABLE 2: INTERNAL BUDGET MANAGEMENT</b>	<b>HSE Budget (excl HSL)</b>	<b>Latest Forecast (excl HSL)</b>	<b>Variance on HSE Budget</b>	<b>Forecast change in month</b>
Pay	135,393	133,891	(1,502)	(1,071)
GAE	67,428	70,401	2,974	(549)
Invest to Save	770	775	5	205
Modernising Government	505	505	0	0
<b>Gross Admin costs</b>	<b>203,946</b>	<b>205,572</b>	<b>1,476</b>	<b>(1,415)</b>
Programme costs	52,988	50,938	(2,050)	(657)
Bad debts	621	583	(38)	0
<b>Total gross costs</b>	<b>257,554</b>	<b>257,093</b>	<b>(611)</b>	<b>(2,073)</b>
Income	(53,006)	(51,324)	1,682	299
<b>Net Resource budget</b>	<b>204,548</b>	<b>205,769</b>	<b>1,071</b>	<b>(1,774)</b>
<b>Capital budget</b>	<b>8,274</b>	<b>8,115</b>	<b>(159)</b>	<b>(89)</b>

2. Detailed financial and staffing information are set out in the tables and graphs in Appendices A, D and E. Appendices B and C reflect the outturn position against profiled budgets.

### **Mid Year Performance Report**

3. The mid year report on performance is at Appendix F and F(i).