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HEALTH AND SAFETY EXECUTIVE

The HSE Board

2002/03 BUDGET ALLOCATIONS AND FORWARD LOOK

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Issue

1. To confirm budget allocations for 2002/03 in the light of the need to achieve output targets and note the foreseeable pressures and financial risks.

Timing

2. For decision at the Board's 1st May meeting.

Recommendation

3. That the Board:
 - v notes the overall budget allocation (Table 1 below) and D/D budgets (Annex 1); financial risks and pressures which are likely to prevail this year (para;
 - v agree that budgets should be formally amended at the (mid year review) stage to accurately reflect revised ready reckoner salaries and payroll consumption (para 5).

Argument

4. Budgets were allocated in line with the Board's discussion on 6/2/02, with some correcting amendments and adjustments to reflect latest income forecasts (see below) The final total HSE allocation against the Resource Budget is shown in Table 1 below. Individual D/D budgets are shown at Annex 1.

TABLE 1 HSE 2002/3 BUDGETS AGAINST BUDGETARY CONTROLS £	TREASURY PROVISION	2002/3 ALLOCATIONS	Variance
Pay	138,642,000	135,393,237	3,278,763
GAE	59,994,000	67,937,506	(7,943,506)
Gross Admin costs	198,636,000	203,330,743	(4,694,743)
Programme costs	53,748,000	52,987,627	760,373
Total gross costs	252,384,000	256,318,370	(3,934,370)
Income	(58,343,000)	(53,005,982)	(5,337,078)
Net Resource budget	194,041,000	203,312,388	9,271,388
Capital budget	6,365,000	8,274,003	(1,909,003)

5. Significant points to note are:

- v As a result of the late payment of the pay deal, budgets were provisionally allocated against an outdated average salary ready reckoner with a global assumption for the pay rise impact. We have now been able to revalue D/D plans against the February 2002 average salary ready reckoner to provide a more accurate valuation, reflecting planned grade composition. The global effect is a downward revision of pay budgets (globally some £1.4m lower than provisionally allocated budgets). **We recommend that PEFD should issue revised allocation figures reflecting D/D average salary ready reckoner costs for monitoring and reporting purposes only at this stage. Budgets should be formally amended at the mid year stage.**
- v Closure of the RHST budget and the impact of inflation factor savings have reduced the pressure on GAE budgets. HSE's budgeted income shortfall has now risen to £5.3m, although this can be partly offset by the programmes reserve of £760k. This change follows staff losses in HID which resulted in a shortfall in income for COMAH at the end of 01/02, resulting in a reduction in HID's 02/03 income forecast of £1.7m. PEFD considers it prudent to accept the reduced forecast at this stage. The volatility of income forecasts and the consequential risk attached to HSE's overall position if forecasts are not delivered, demand careful monitoring.
- v We are developing with D/Ds more robust reporting measures which will take into account actual and forecast staffing levels. These will be included in future reports to the Board.
- v We expect to cover the shortfall in capital from capital EYF and use of HSL's uncommitted capital expenditure.
- v Resources won through the 2001 Invest to Save awards have not been factored into HSE's settlement or allocations. Budgets for current (ISB 2000) projects must also be adjusted to reflect the balance between 01/02 unspent funds and 02/03 ISB allocations.

- v We have not reported here on budgets which remain within Annually Managed Expenditure (AME) for the RAB transitional period (eg cost of capital, depreciation and provisions). We are still refining management of these budgets. We will report to the Board as work progresses in preparation for their inclusion within Departmental Expenditure Limits (DEL) from 03/04 onwards.

Risks and Pressures

6. Since the Board discussion in February, the following pressures pose additional risks on the resource budget. In total the risk on HSE's budget amounts to £4.7m on the administration costs control limit; and £9.3m on the resource budget. This will be partially covered by readjustment of budget allocations using new ready reckoner; and HSE's end year flexibility reserves. We are unable to estimate the size of these reserves until the 01/02 resource outturn figures are confirmed following finalisation of accruals and other accounting adjustments.

7. Additional pressures on HSE's budget include:

- v Funding for delivering the **railways** agenda. The £1.7m funding allocated to DRP (formerly RD) leaves some existing posts unfunded, creating a pressure of £350k. Additional pressures will arise if further recruitment takes place to fulfill RD's original staffing plans. We expect a response from DTLR as to whether they are prepared to provide additional funding for this work.
- v Further to the recent discussion of B/02/025, the Board is already aware of a £1m pressure for those projects which fell below the current **REFIT funding** line.
- v Additional running costs requirement of £460k for the **IT call centre**. In addition, business critical requests for change are expected to amount to £250k.
- v NAO has agreed to the setting up of a provision for **EECs** redundancy costs. Pressures on the 02/03 budget will arise only if final costs exceed the provision.
- v Depending on recruitment, additional pressures may arise in relation to extending roll out of the **prosecutions pilot**.
- v There are a number of new senior posts, created late in the planning process, which have not been factored in to allocations. Where D/Ds are unable to absorb these costs, additional funding pressures may arise.

In year controls

8. In-year controls agreed by the Board are as summarised in Richard Hillier's note of 6th March, namely

- v budget holders may vire from payroll to staff substitutes for Reed staff only to maintain agreed outputs and provided that no secondary virement takes place;
- v in view of the level of risk outlined above, virement between other budget heads (including consultants) may only take place with the agreement of the Head of Finance Unit.

v D/Ds should seek PEFD agreement for transfer of funds between D/Ds.

Staffing

9. Staffing plans are shown in Table 2 below.

Table 2: HSE Staffing (not incl agency staff)				
(a) Date	(b) Total SiP	(c) of whom casual	(d) Planned staff years (end year)	Variance
1st April 2002	3672	2	3859*	187
1st April 2001	3534.4	7.8	3856.6	322.2
1st April 2000	3534.1	12	3737	202.9

* includes current DRP staffing only

Action

9. The Board is invited to :

- v Note overall allocation (Table 1) and staffing plans (Table 2) final D/D budgets (Annex 1); financial risks and pressures which are likely to prevail this year (para 7 above); and in-year controls (para 8);
- v Agree that budgets should be formally amended at the (mid year review) stage to accurately reflect revised ready reckoner salaries and payroll consumption (para 5).