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HEALTH AND SAFETY EXECUTIVE

The HSE Board

HSC/E FINANCE UPDATE REPORT

A Paper by Dave Thomas

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Management Summary

- This paper provides the board with an update on the current outturn position for financial year 2002/03. This shows an indicative HSE (incl HSL) budgetary net resources spend of £192.036m against the Estimate figure of £199.373m. This provides an indicative Admin EYF entitlement of £10.583m and an indicative capital EYF of £8.456m.
- The paper also provides an update on the 2003/04 budget profiling exercise and highlights the key issues.
- The paper includes an update on the Negative DEL position.
- Detailed analysis of the 2002/03 outturn and any implications for 2003/04 will be included in the end year paper to the Board in June.

Recommendation

The Board is invited to:

- Note the current 2002/03 outturn compared to the Estimate and the amounts likely to be available to be carried forward as underspend via End Year Flexibility;
- Note the comparison of profiled budgets for 2003/04 to the settlement and the level of risk.

Indicative 2002/03 Outturn

1. Annex A shows an update on the indicative 2002/03 outturn compared to budget and Estimate. The HSE (incl HSL) outturn of £192.036m is still indicative, as there will be some adjustments arising from the finalisation of Memorandum Trading Accounts and

possibly the audit process. Any changes are expected to be minor but movements cannot be ruled out until the NAO finalise the accounts.

2. The key points from the outturn are:

- HSE Admin costs are showing an underspend of £3.565m in line with the Board's mid year decision to continue to bear down on Admin Cost expenditure to assist with positioning for 2003/04. This 'underspend' forms part of the indicative EYF calculation.
- HSE (incl HSL) programme costs are within the Estimate by £0.833m.
- The indicative income outturn exceeds the Estimate by £2.255m (£78.63m compared to £76.375m in Estimate). The Estimate was derived from the December forecast. The outturn exceeds forecast by £1.979m for HSE and £0.276m for HSL. These amounts will have to be surrendered to DWP who will either appropriate the income to supplement their own if necessary or return the income to the Exchequer as a Consolidated Fund Excess Receipt (CFER).
- Capital spend is £2.498m within the Estimate and once adjusted (for net book value) this provides £2.623m towards capital EYF.

Indicative End-Year Flexibility (EYF)

3. The current position regarding admin and capital EYF is detailed below. The balances brought forward are from underspends in previous years and the impact of the indicative 2002/03 outturn has been shown for illustration.

4. The key points are:

- Admin EYF brought forward was £7.11m, which after adjustment for the final 2001/02 actuals gave a brought forward figure of £7.018m. The indicative 2002/03 underspend is £3.565m which gives an indicative 2003/04 entitlement of £10.583m.
- Capital EYF brought forward was £4.991m, which after adjustment for the final 2001/02 actuals gave a brought forward figure of £5.833m. The indicative 2002/03 underspend is £2.623m, which gives an indicative 2003/04 entitlement of £8.456m.
- The brought forward capital EYF balance is the disputed balance recommended by HSSD to DfT (£3.673M) plus the 2001/02 indicative underspend.

Budget Profiles for 2003/04

5. The budget exercise has been complicated this year by the organisational changes and associated amendments to the accounting system and reports. Additionally, 2003/04 is the first year of full RAB and requires the capital charges such as depreciation and cost of capital to be forecast as part of the Administration Limit (previously they were dealt with as Annually Managed Expenditure).

6. Annex B show the comparison of HSE 2003/04 profiled budgets against the settlement and the key points are:

- The HSE admin costs are over allocated by £7.282m, however the allocated budgets include £4m for Cullen (not yet in the settlement) and the additional £4m taken at risk (£2m IT and £2m Change Programme).
- The capital charges budgets are in the process of being disaggregated to capital budget holders in accordance with best practice and the settlement figure is considered adequate to meet our budgetary needs.
- There is £5.2m in the programme allocation for the Small Firms Programme and £2.287m of total programme remains unallocated.

Other Financial Issues

Negative DEL (Allowable Income)

7. On 19 March the Board were given a brief presentation about the prospect of some of HSE's income being treated as Negative DEL. DEL (Departmental Expenditure Limit) is the term HMT use to describe agreed resource budget limits. Negative DEL is the term used to describe income arising from expenditure on the provision of services. In effect, expenditure on the provision of services does not count as expenditure at all – hence the expression Negative DEL. The key feature of Negative DEL is that any such income earned over and above the amount in the ¹Estimate may be retained and used to reduce resource outturn. However, extra Negative DEL must still be forecast and the year in which it may be used to reduce resource outturn is dictated by the timing of the Estimate process. The use of extra Negative DEL to reduce resource outturn does not mean that the Admin Cost Control Limit is itself increased so windfall benefits arising from extra Negative DEL cannot be used to create forward commitments.
8. A submission describing 26 potential streams of income into HSE has been submitted to HM Treasury Classifications Branch and a decision(s) has been promised soon. A full presentation on the potential impact on the future control and management of HSE's resources will then be put to the Board.

Payroll Control Limit

9. It has been confirmed that there is no parliamentary control of payroll within the Admin Costs Estimate. It is therefore proposed that the Board discuss the payroll control issue at the same time as the impact of Negative DEL is discussed.

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¹ Estimate is the control limit lodged with HMT and voted by Parliament. Estimates relating to expenditure may not be exceeded. Ordinary income received in excess of the Estimate must be returned to the Exchequer. Excess income classified as Negative DEL may be retained.

Table 1 shows HSE's indicative outturn position for 2002/03 compared to the budget and the Treasury settlement.

	HSE Indicative Outturn £k	HSE Budget £k	HSE Estimate £k
Payroll	130,834	133,348	142,442
GAE	68,506	70,163	60,464
Admin Costs	199,340	203,511	202,906
Programme	50,232	50,623	50,500
Gross Expenditure	249,572	254,134	253,406
Income	(52,377)	(51,211)	(50,398)
Net Resources	197,195	202,923	203,008
Capital Spend	7,090	8,599	6,402

Table 2 shows HSL's indicative outturn position for 2002/03 compared to the budget and the Treasury settlement.

	HSL Indicative Outturn £k	HSL Budget £k	HSL Estimate £k
Payroll	10,328	11,302	10,864
GAE	6,531	6,428	6,678
Admin Costs	16,859	17,730	17,542
Programme	4,235	4,527	4,800
Gross Expenditure	21,094	22,257	22,342
Income	(26,253)	(25,976)	(25,977)
Net Resources	(5,159)	(3,719)	(3,635)
Capital Spend	1,412	1,700	4,598

Table 3 shows the global indicative outturn position for 2002/03 compared to the budget and the Treasury settlement.

	HSE incl HSL Indicative Outturn £k	HSE incl HSL Budget £k	HSE incl HSL Estimate £k
Payroll	141,162	144,650	153,306
GAE	75,037	76,591	67,142
Admin Costs	216,199	221,241	220,448
Programme	54,467	55,150	55,300
Gross Expenditure	270,666	276,391	275,748
Income	(78,630)	(77,187)	(76,375)
Net Resources	192,036	199,204	199,373
Capital Spend	8,502	10,299	11,000

Table 1 shows the current HSE profiled budgets compared to the settlement.

Table 1: HSE									
	RPD £k	Policy £k	Operations £k	HSC £k	SO £k	COSAS £k	Total £k	Settlement £k	Variance £k
Payroll	13,551	14,787	104,884	238	1,971	3,045	138,476	144,652	6,176
Admin	47,724	3,872	19,954	272	172	282	72,276	58,818	(13,458)
Admin Other	TBA	TBA	TBA	TBA	TBA	TBA	10,380	10,380	0
Admin Costs	61,275	18,659	124,838	510	2,143	3,327	221,132	213,850	(7,282)
Programme	11,497	2,963	5,236	0	0	37,116	56,812	59,099	2,287
Programme Other	TBA	TBA	TBA	TBA	TBA	TBA	21	21	0
Total Programme	11,497	2,963	5,236	0	0	37,116	56,833	59,120	2,287
Income	(6,853)	(5)	(48,517)	0	0	(69)	(55,444)	(54,343)	1,101
Net Resources	66,669	21,617	82,057	510	2,143	40,374	222,521	218,627	3,894
Capital Spend	6,100	0	335	0	0	0	6,435	6,502	67

Notes

1. The Admin Other and Programme Other represent what was Annually Managed Expenditure (AME) and include capital charges such as depreciation, cost of capital and deficits on revaluation. From 1 April 2003 this expenditure forms part of the Administration limit and Budget Unit are in the processing of allocating these funds. For the purposes of this table they are shown as per the settlement.
2. The table shows that the current admin allocation is £7.282m in excess of the settlement. However, the allocated funds include the £4m for Cullen and £4m taken at risk (£2m IT and £2m Change Programme). The Cullen funds are not yet included in the settlement figure but will be at the next supplementary.
3. Programme includes £5.2m for the Small Firms Programme but is still within settlement by £2.287m.
4. Income has been over allocated against settlement by £1.101m.