

Authority Paper

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Agenda item	7	Author	Leslie Boodram

Financial report – May 2008

Introduction

1. This is the first report for the 2008/09 financial year and provides an update on the Human Tissue Authority's (HTA's) financial position as at 31 May 2008.
2. The report provides commentary on the following areas:
 - Summary
 - Income and expenditure
 - Capital
 - Risk.

Summary

3. It is very early in the financial year and the financial position presented in this report is set against the interim budget deficit of £230,000 grant-in-aid (GIA) that was presented to the Authority in March.
4. A bid was submitted to the Department of Health (DH) in February for additional funding of £230,000. At a meeting on 4 June, DH officials said they were sympathetic to the case the HTA were making and asked for further information in order to make a decision. A quick response was promised.

5. Table 1 below is an extract of Annex A and shows the cumulative financial position up to the end of May. The HTA is reporting an overspend in the actual position of £227,189, against a budgeted (planned) overspend of £210,042. The overall financial position is an overspend of £17,148. This is broadly in line with expectations given the underlying budget deficit.

Table 1 - Income & Expenditure Summary

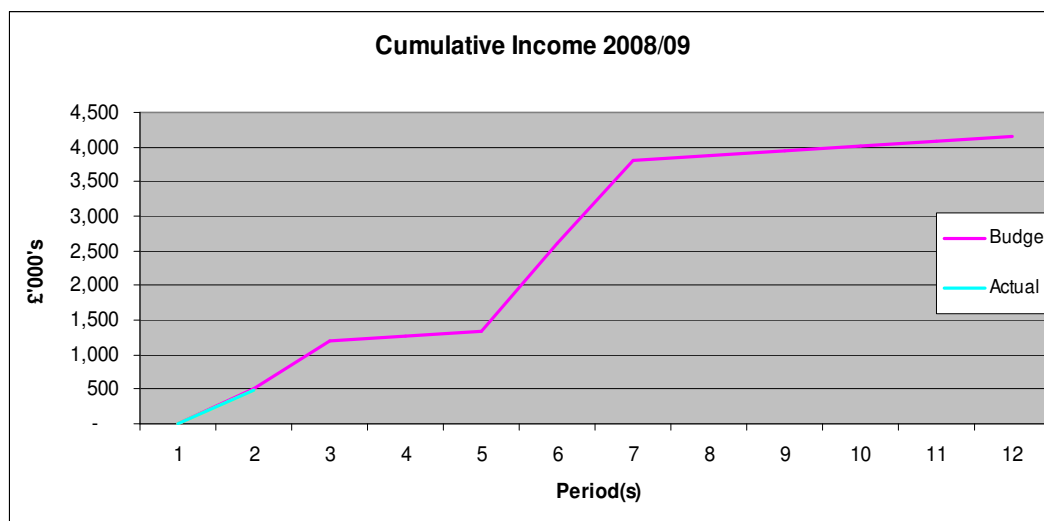
Income & Expenditure	Year to Date		
	Actual £	Budget £	Variance £
Total Income	483,250	508,100	(24,850)
Less: Total Revenue Expenditure	(710,439)	(718,142)	7,702
Net Surplus/(Deficit)	(227,189)	(210,042)	(17,148)

6. The HTA will commence financial forecasting next month, which will mark the end of the first quarter.

Income and expenditure

Income – detailed

7. The following graph charts the cumulative position for actual and budget income.

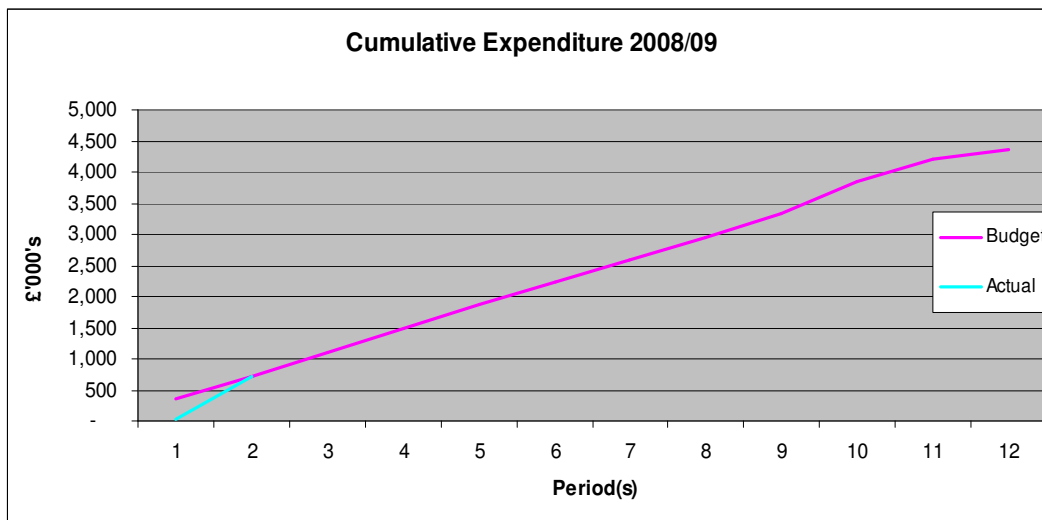


8. Annex B (Table 2a) shows that the HTA is cumulatively below its income target by £24,850. 45 Human Application invoices have been issued to establishments (Annex B – Table 2b). Another 120 were dispatched in early June.

9. For information, fee invoices are issued twice a year: April / May for the Human Application sector and September / October for all the other sectors. This invoicing pattern means that the HTA receives fee income in advance of the corresponding costs being incurred at times of the year. This method of operation requires strong controls. Accordingly, to ensure that funding is in place at the appropriate time, the HTA undertakes both cash flow and income forecasting exercises throughout the year.
10. GIA was requested in early May and is expected to be received in June. The funds requested total £173,000 and comprise £50,000 (capital) and £123,000 (revenue).

Expenditure – detailed

11. The following graph charts the cumulative position for actual and budget expenditure.



12. Annex C (Table 3) reports on the HTA's expenditure split between staff and non staff costs. Below are details of significant costs and underspends.
13. **Staff cost** – staff costs are overspent by £3,697 (Annex C). This is because of the cost of essential contractors employed to undertake HR, IT and secretarial functions. These contractor posts cannot be replaced by permanent HTA staff until the DH has agreed a business case for an increase in headcount. We plan to do this in July as one of the outcomes of the HTA's Organisational Review. Set against the costs of contractors, there are five unfilled vacancies for permanent staff (see paragraph 15 for details).

14. **Employee update** – Table 2 below details staff movements for the first two months of the year.

Table 2 – Summary of staff movements

	Starters	Leavers
April 08	1 x Regulation Manager 1 x Policy Officer 1 x Media Manager	
May 08	1 x Regulations Assistant	2 x Regulation Managers 1 x Regulation Assistant 1 x Communications Assistant

15. The staff attrition rate for the first two months of the year was 10.8%. The annualised attrition rate for the 12 months ending 31 May was c40%. There are 5 vacancies as at 31 May: 1 x Communications Assistant, 2 x Regulation Managers, 1 x Regulation Officer, 1 x Regulation Information Analyst. Of these vacancies, 3 have been filled and will be starting within the next few months.
16. **Non staff costs** – non-staff costs are under budget by £11,399 (Annex C). This takes into account the following overspends: Training (£7,423), IT and Telecommunications (£28,548). These are being offset by underspend in the following areas: Travel and Subsistence (£12,165), Media and Project costs (£11,161), Legal and Professional (17,125).
17. Emphasis will be maintained in keeping costs in line with budget. Focus will include: consultancy – which saw significant activity last year; and IT & Telecommunications – which was high last year due to remedial work. It is expected that this year will see significant reductions in IT costs.

Forecast

18. Financial forecasting will commence from Quarter 1.

Capital

19. The HTA has submitted an indicative proposal of £795,000 for capital funding. This sum includes the cost of moving the HTA offices in 2009 (£590,000). This is the cost estimate as supplied by DH Estates. A further £205,000 has been identified for smaller capital projects which include the Knowledge and Quality Management System (project cost of c£100,000). Note, any capital funding from the DH is subject to business case approval.

20. As mentioned in paragraph 10, £50,000 has been requested for capital. This is to fund the initial stage of phase two of the Knowledge and Quality Management System which is being implemented over the next 6 months.

Financial risk

21. Table 3 shows current financial risks that the HTA monitors through its risk register.

Table 3 – 2008/09 financial risks

Risk	Mitigation
Shortfall in budget of £230k will prevent HTA from achieving core objectives	The HTA has put forward a business case for additional funding. The HTA has met the DH, who are sympathetic to the bid.
HTA are required to undertake additional functions not planned for within the budget	The HTA's financial management arrangements will identify any opportunities that may arise to offset budgetary pressures The HTA's governance arrangements allow referral to the DH as required
Lack of prompt payment by licence fee payers may affect HTA operations	The HTA will monitor revenues very closely and will use its debt collection procedures to pursue late payment and minimise non-payment
Insufficient fund to meet expenditure	The HTA undertakes cash flow forecasting

Conclusion

22. The Authority is asked to note the financial position as at 31 May 2008.