

## Authority Paper

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<b>Agenda item</b>	7	<b>Author</b>	Morounke Akingbola

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## Financial report – 31 August 2008

### Introduction

1. This is the third report for the 2008/09 financial year that provides an update on the HTA's financial position as at 31 August 2008.
2. The report provides commentary on the following areas:
  - Summary
  - Income and expenditure detail
  - Capital
  - Risk

## Summary

**Table 1 - Income & Expenditure Summary**

Income & Expenditure	Year to Date		
	Actual £	Budget £	Variance £
<b>Total Income</b>	1,399,361	1,311,978	87,384
<b>Less:</b>			
<b>Total Revenue Expenditure</b>	(1,825,204)	(1,856,082)	30,878
<b>Gross Surplus/(Deficit)</b>	(425,843)	(544,104)	118,262
<b>Organisational Development costs</b>	(108,696)	0	(108,696)
<b>Net Surplus/(Deficit)</b>	<b>(534,538)</b>	<b>(544,104)</b>	<b>9,566</b>

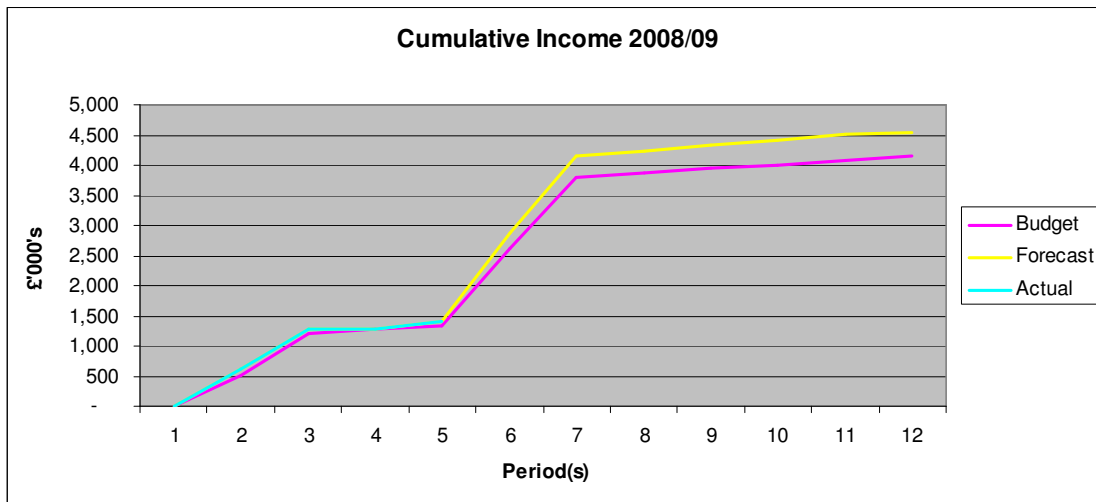
- Table 1 is an extract of Annex A and shows the financial position for the year to date. The HTA is reporting an actual overspend of £425,483 against a budgeted (planned) overspend of £544,104 before organisational development (OD) costs are deducted. We have agreed with the DH that the cost of the organisational development (OD) programme should be funded from the cumulative underspend from earlier years. From now on, this expenditure will be identified separately from the normal in-year expenditure and we plan to prepare a forecast of OD expenditure. Year to date OD expenditure currently stands at £108,000.
- Expenditure excluding OD costs is more or less in line with budget (£30,878 underspent - see table 1, year to date variance). The year to date position is showing a small improvement against the budgeted (planned) deficit.

## Income and Expenditure

### *Income – detailed*

- Annex B (Table 2) shows that the HTA is up on its income (£87,384). This is because of additional income from establishments in the Human Application sector and income from the Welsh Assembly, which was billed a month early.
- As at 3 September 2008, the HTA has received 41 applications for procurement licences of which 19 have been completed and invoiced. Licence fee income from these organisations amounts to £59,100.
- The current debtor position shows a balance of £316,927 in outstanding licence fees. The debt recovery SOP has been triggered in these cases.

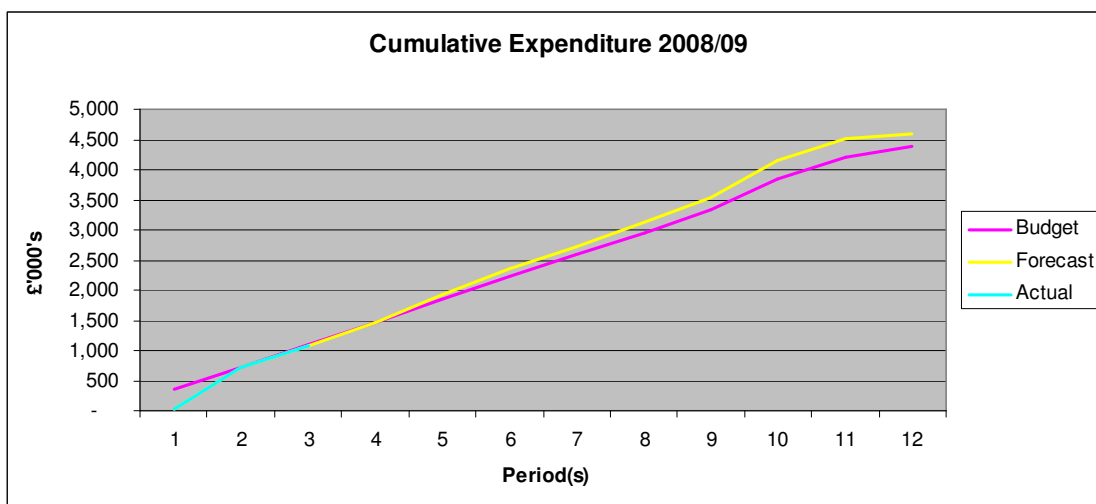
8. The following graph charts the cumulative position of actual, forecast and budgeted income for the year.



9. Our full year forecast is that we will exceed planned income by £210,000. This is because of an increase in fee income across all the sectors, but principally in the Human Application sector.

### Expenditure – detailed

10. The following graph charts the gross cumulative actual, forecast and budgeted expenditure for the financial year. The graph shows that, for the year-to-date, actual versus planned expenditure is underspent by £30,878.



11. Annex C (Table 3) reports on the HTA's expenditure as at 31 August 2008 split between staff and non-staff costs. Below are details of costs and underspends.

12. *Staff costs.* Year to date expenditure is underspending by £1,467.

### Employee update

13. Staff movements in the last five months are as follows:

Period	Starters	Leavers
<b>April 08</b>	1 x Regulation Manager 1 x Policy Officer 1 x Media Manager	
<b>May 08</b>	1 x Regulations Assistant	2 x Regulation Managers 1 x Regulation Assistant 1 x Communications Assistant
<b>June 08</b>	Nil	Nil
<b>July 08</b>	2 x Regulations Managers 1 x Communications Officer 1 x Information Analyst	1 x Communications Officer 1 x Regulations Assistant
<b>August 08</b>	2 x Regulations Assistants 1 x Regulations Manager	2 x Regulations Managers 1 x Resources Assistant

14. Vacancies as at 31 August are as follows: 1 x Resources Assistant.

15. *Non-staff costs.* Year to date non-staff costs are under budget by (£29,411). This takes into account overspends in the following areas: training and recruitment (£50,979). This cost line is high because of the staff turnover experienced over the last few months. Postage, stationery and printing costs (£11,279) are overspending this month because of the production of five Summary Inspection Reports. IT and Telecommunications (£31,759) is also over budget. These increases in expenditure are offset by underspending in:

- travel & subsistence (£5,809)
- media and project costs (£17,068)
- legal & professional costs (£11,463)
- consultancy (£27,999)
- accommodation costs (£20,167).

### Forecast

16. Annex A (Table 1) shows that the HTA is forecasting an under spend of £119,653 for the year excluding OD costs. The HTA is less than half way

through its financial year and therefore expects costs to change in accordance with projects that are being undertaken. A forecasting exercise is being undertaken to ensure that all costs are captured.

## Capital

17. The Capital Budget remains at £795,000, primarily to cover the cost of the prospective change of offices. The HTA has requested further capital funding of £50,000 to allocate towards phase I of IMPACT (the Knowledge and Quality Management System now being implemented).

## Financial risk

18. As a responsible regulator, we need to be aware of any risks that can hinder our business as a whole. Below is a table of current risks of which we are aware and monitor through our risk register.
19. We are currently working on reviewing and developing our risk strategy and policy on risk management which can only strengthen our risk management processes.

### 2008/09 financial risks

Risk	Control
Insufficient GIA to meet non-licence fee expenditure	Review of fees will identify required GIA; to negotiate three-year settlement with DH for period 2009/10 to 2013.
The HTA is required to undertake additional functions not planned for within the budget.	In the short term, the HTA closely manages work and deadlines and makes adjustments accordingly. In the long term, additional statutory and other requirements will need to be met by an increase in permanent staffing. A business case has been submitted to the DH.
Delay in payment by licence fee payers may affect HTA operations.	The HTA will monitor revenues very closely and will use its robust debt collection procedures to pursue late payment and minimise non-payment.
Establishments change their profile – reduction in both hubs and satellites	Regular review of establishment patterns. Tracking changes to the number of hubs and satellites on a periodic basis. Introduction of

	horizon-scanning capacity proposed in the business case submitted to the DH.
Organisation Review costs exceed agreed carry-forward income.	Forecast to be prepared and adjustments made in the light of that.

**Conclusion**

20. The Authority is asked to note the financial position as at 31 August 2008.