



Board Meeting: 6 February 2015

Agenda Item no.: **8**

Title: Finance Update Q3 2014/15

Presented By: Mike Procter, Executive Director of Finance

1. Executive summary

The paper presents an update on the financial position as at the end of December 2014.

2. Action required

The Board is asked to:

- review and discuss the analysis provided

3. Executive Team Discussion and Review

The financial position is a standing item at the main monthly Executive Team meeting.

4. Key issues

- 4.1 A surplus of £429k is currently forecast but that will reduce as additional resource is used on non-recurrent areas of spend in Q4, principally Associate Caseworkers (see 5.1)

4.2 Forecast outturn shows that PHSO will end the year within its four key control totals of Resource DEL, Capital DEL, Cash and Annually Managed Expenditure (AME) (see section 6)

4.3 The project to install and implement new finance and purchasing software is on track to go live in early February (see section 7).

5. Financial Position at the end of October 2014

5.1 The financial position to date suggests a surplus at year-end. The forecast at the end of month 9 (December 2014) is a forecast surplus of £242,090. However, the reserves (originally totalling £1.2m at the start of the year to cover a general reserve, the pay restructuring, maternity, losses and special payments) have been retained at almost £187k. The discretionary funds remaining to the year-end are therefore almost £429k in total. There are a list of non-recurrent items, compiled at the six-month review stage, that can be funded to some extent now that the projected year-end position is clearer. The principal areas of additional discretionary spend are expected to be Associate Caseworkers and external reviewers.

TABLE 1

| | Revised Budget £ | Forecast £ | Variance £ |
|-----------------|---------------------|-------------------|----------------|
| Pay | 20,913,853 | 20,903,374 | 10,479 |
| Non-Pay | 10,739,190 | 10,508,373 | 230,817 |
| Income | (876,853) | (877,647) | 794 |
| Reserves | 186,810 | 186,816 | 0 |
| Budget Exchange | 300,000 | 300,000 | 0 |
| TOTAL | 31,263,006 | 31,020,916 | 242,090 |

a) Resource Detailed Analysis - TABLE2

| All value £ | REVISED BUDGET AFTER 6 MONTH REVIEW 2014/15 | FORECAST OUTTURN 2014/15 | FORECAST VARIANCE |
|---|---|--------------------------------|----------------------|
| Executive Director Finance and Governance | 559,295 | 572,572 | (13,277) |

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Q3 PHSO Board/6 Feb 2015

| | | | |
|------------------------------------|--------------------|----------------------|----------------|
| External Affairs and Strategy | 1,732,000 | 1,781,761 | (49,761) |
| Operations and Investigation | 15,103,252 | 15,079,182 | 24,070 |
| Support Services | 3,519,306 | 3,469,860 | 49,447 |
| PAY SPEND | 20,913,853 | 20,903,374 | 10,479 |
| | | | |
| Non-Pay | | | |
| General | 356,521 | 414,492 | (57,971) |
| | | | |
| Executive Director Finance | 147,585 | 125,176 | 22,409 |
| External Affairs and Strategy | 795,700 | 725,337 | 70,363 |
| Operations and Investigation | 2,331,920 | 2,261,191 | 70,729 |
| Support Services | 7,107,464 | 6,982,177 | 125,288 |
| NON-PAY SPEND | 10,739,190 | 10,508,373 | 230,817 |
| | | | |
| Income - Clinical Advice recharges | (216,700) | (236,902) | 20,202 |
| Income - Secondees | (23,448) | (116,711) | 93,263 |
| Income - Rent | (554,855) | (362,184) | (192,671) |
| Income - Service Charges | (81,850) | (161,850) | 80,000 |
| Income | (876,853) | (877,647) | 794 |
| NET CASH RESOURCE | 30,776,190 | ***30,534,100 | 242,090 |
| Budget exchange | 300,000 | | |
| Residual Reserve | 187,000 | | |
| Original Budget | **31,263,190 | | |
| | | | |
| NON CASH | | | |
| Accommodation Charges | (71,000) | (71,000) | |
| Central Reserve Non-Cash | 100,001 | 0 | |
| Depreciation | 1,529,002 | 1,296,536 | |
| External Audit | 41,999 | 41,999 | |
| Non Cash Total | 1,600,002 | 1,267,535 | |
| | | | |
| PHSO Budget Net Resource | *32,376,192 | 30,801,635 | |
| Ombudsman | 187,001 | 177,503 | |

Capital - TABLE 3

Capital Expenditure (forecast outturn)

| | |
|-----------------------------|---------|
| AUC: Additions | 400,000 |
| Furn&Fittings: Additions | 30,000 |
| IT Hardware: Additions | 70,000 |
| IT Software: Additions | 100,000 |
| Office Machinery: Additions | - |
| Refurb: Additions | 83,000 |
| | 683,000 |

The capital budget for 2014/15 is £728,000 - original £700,000 allocation plus maximum carry over from 2013/14 via a budget exchange (4% = £28,000).

6. Control Totals

a) Resource

| | £000 |
|------------------------------|-------------|
| Original resource DEL limit | 32,863 |
| <i>Less</i> budget exchange | 300 |
| Revised limit | 32,563 |
| <i>Less</i> Residual reserve | 187 |
| Net resource (see TABLE 2*) | 32,376 |

b) Cash

| | £000 |
|---|-------------|
| Original Budget (see TABLE2**) | 31,263 |
| <i>Less</i> budget exchange | 300 |
| <i>Less</i> Residual reserve | 187 |
| <i>Less</i> Forecast surplus | 242 |
| Forecast net cash resource (see TABLE 2***) | 30,534 |

c) Capital

Capital DEL limit £728k, forecast outturn £683k (see TABLE3 above)

d) Annually Managed Expenditure (AME)

Original budget was -£400k but this was amended to -£25k as part of the Supplementary Estimates to accurately reflect the benefits paid out to ex-employees under the old pension scheme arrangements

7. Projects

a) New Casework Management System

An update on the project to replace the Casework Management System is included as a separate item on the Board agenda.

b) New Finance Software

The implementation of the new finance system (SunSystems) and the Purchase ordering system (iPOS) are on track for Go Live in early February 2015. The project is running to time and to budget.

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Q3 PHSO Board/6 Feb 2015

- I. The iPOS system has been configured in line with the revised Purchase ordering and Procurement policies. The SunSystems has been configured using the new chart of accounts and promises to deliver improved management accounting, flexibility and reporting capabilities.
- II. Members of the Finance team, Service desk & IT have been trained on system admin and function and will be providing training for all staff, budget holders and Senior managers who have responsibility for the requisition and or Approval of goods and services purchased on behalf of PHSO.
- III. A week of Training is scheduled beginning on **Monday 26th of January**. There will be further opportunities for desk side training to ensure that early benefits of the systems can be achieved.