

Report to: STAR Joint Committee
Date: 17th November 2017
Report Title: Finance Update (2017-18 6-month review)
Report From: Head of Strategic Procurement

Report Title

Finance Update (2017-18 6-month review)

Summary

The purpose of this report is to update the STAR Joint Committee on the 6-month review of STAR finances in terms of:

1. Reserves
2. Staffing/Running Costs
3. Income

Recommendations

The recommendation of this report is that the Joint Committee notes the contents of the report

Contact person for access to background papers and further information:

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Background

Financial Impact:	The contents of the report discusses STAR Procurement's budget and financial position at the half-year point
Legal Impact:	None
Human Resources Impact:	None
Asset Management Impact:	None
E-Government Impact:	None
Risk Management Impact:	None
Health and Safety Impact:	None

Consultation

No public consultation required

Reasons for Recommendation(s)

As requested by the Joint Committee, STAR Procurement ("STAR") has undertaken a 6-month review of the finances to reflect the mid-year outturn for reserves, staffing/running costs and income.

1. Reserves

1.1 The history of STAR reserves is detailed in Appendix 1 – STAR Reserves. STAR current reserves total is £169,000.

2. Staffing/Running Costs

2.1 STAR budget is £1,304,000 made up of a £434,666.66 management paid by each STAR Council.

2.2 The STAR staffing costs budgeted as at 1st April 2017 was £1,240,540. The staffing costs include 2 Procurement Officer Posts established in 2016-17 at a cost of £77,958 by the previous Director of Procurement, with STAR Board approval. This cost is included in the above budget along with other increased costs at 1st April 2017 e.g. additional members joining the pension scheme and salary increment increases.

2.3 The two other elements of the STAR budget cover running costs (£65,000) and support costs (£105,000). Based on an outturn estimate, the STAR budget for 2017-18 will be £106,540 over spent. STAR will offset this pressure from income in-year.

2.4 STAR Board approved in-year (2017/18) staffing changes to enable the resource to be augmented due to recent resignations. Staffing changes are shown in Appendix 2 - Staffing/Running Costs.

2.5 Following these changes the revised staffing costs are £1,213,506; resulting in a £27,034 staffing cost reduction, which in turn will reduce the forecasted overspend to £79,506. This equates closely to the cost of the two additional posts outlined above (£77,958) thus demonstrating STAR is operating within budget, using additional income to cover these two posts each year.

3. Income

- 3.1 The forecast income for STAR in 2017/18 is £315,000; a breakdown of which is provided in Appendix 3 – Income.
- 3.2 The actual income confirmed to date is £263,000, due to the following:
- 3.2.1 Link4Life SLA had a £17,000 income target set in the budget by Finance Department. Rochdale Council reduced their management fee by this sum with the assumption STAR receive this income from Link4Life. The STAR SLA with Link4Life is actually £14,000 and so results in STAR having a £3,000 shortfall/pressure in budget. So we have recorded -£3,000 on the income total.
- 3.2.2 Schools income forecasted at £32,000 is deducted from the management fee by each STAR Council at source. So this income benefits the three Councils directly, rather than STAR itself. There was an income target set at the beginning of 2017-18 with the assumption that this income would go to STAR. This puts a further pressure on STAR as this sum will not be realised, i.e. received by STAR, directly.
- 3.3 Details of the committed expenditure from the income raised by SLAs is provided in Appendix 3 – Income and is summarised as follows:
- 3.3.1 £79,506 staffing cost shortfall (2 additional permanent posts);
- 3.3.2 £15,000 agency staffing for the Work & Health Programme (part-year costs as the agency staff member secured a permanent post with STAR on 1st October 2017);
- 3.3.3 £87,000 transformation funding from the Learning Disability & Autism Programme to be utilised in full in-year; nett nil SLA income.
- 3.4 Total forecast income surplus for 2017/18 is £81,494 following deduction of these commitments.
- 3.5 The STAR Board meeting on 2nd October 2017 approved the STAR recruitment of two additional fixed-term posts to support the growth plan and additional activity incurred while current SLAs are being delivered. This should be within the income surplus in year.

4. Recommendations

- 4.1 It is recommended that the Joint Committee notes the contents of the report.

Report Appendices

1. STAR Reserves
2. Staffing/Running Costs
3. Income

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Appendix 1 - STAR Reserves

Year	C/F Balance	Accumalative Total	Comments
13/14	0	0	STAR formation February 2014 (13/14)
14/15	136,000	136,000	14/15 – staff turnover allowing underspend - £75k staffing underspend, £61k running costs underspend. Net £136,000 transferred to reserves
15/16	-5,000	131,000	15/16 – £49k additional staffing budget from reserves (mid year), £5k additional support costs from reserves (mid year), £49k running costs underspend at year end. Net of £5k drawn from reserves
16/17	38,000	169,000	16/17 – income of £47K (£9K used to balance books/offset agency for SLA)

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Appendix 2 - Staffing/Running Costs

		£ 1,304,000		STAR Budget	£ 1,304,000
Staffing Costs Reduced 17/18	£ 27,034		Staffing actual (inc 17/18 In year changes (as per approved business case)		£ 1,213,506
		£ 1,240,540			
		£ 1,258,591	Staffing		£ 1,231,557
		-£ 44,051	1 VF		-£ 44,051
		£ 21,000	Professional Training		£ 21,000
		£ 5,000	Staff Advertising		£ 5,000
				Budget - Other	£ 170,000
			Running costs		£ 65,000
			Support Service Costs		£ 105,000
				Total	£ 1,383,506
				Shortfall	-£ 79,506

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Appendix 3 - Income

	Planned Income (2017-18)	Actual Income (Sept 17)	Committed Expenditure:	Comments
			-£79,506	Annual shortfall for 2 additional PO posts authorised by Board
			-£45,000	2no. FTE Procurement Officer Posts (Board Approval, 2nd October 2017)
SSK	£5,000	£5,000		£20k income target
Link4 Life	£17,000	-£3,000		Rochdale reduced their management fee by £17k; STAR only received £14k
Schools	£32,000	£0		Each STAR Council reduced its Management Fee for 1/3 of this sum; STAR cannot class this as additional income
NW Libraries Consortium	£26,000	£26,000		
Work & Health	£67,500	£67,500	-£15,000	£15k for agency staff (Grace Power)
Dunham Massey	£4,000	£4,000		
Stockport Together	£8,000	£8,000		
Trafford Youth Trust	£3,500	£3,500		
HMR CCG	£25,000	£25,000	-£87,000	Carried from 2016-17 for LD Ethical Procurement. Spent in-year on agency (£45k), The Chest, Engagement etc.
NM CCG	£20,000	£20,000		
SMCCG	£20,000	£20,000		
Trafford CCG	£22,000	£22,000		
Warrington	£5,000	£5,000		
Tameside	£60,000	£60,000		
Totals	£315,000	£263,000	-£226,506	

Predicted Income (from above): £263,000
 Committed Expenditure (from above): -£226,506

Predicted Surplus:	£36,494
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