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| **Agenda item:** | **10** |
| **Attachment:** | **F** |

**HRA BOARD COVER SHEET**

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| --- | --- |
| **Date of Meeting:** | 4th November 2016 - written report to SEMT14th November 2016- written report to EMT16 November 2016 – written report to Board |

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| **Title of Paper:** | Financial report - September 2016 |
| **Purpose of Paper:** | To seek approval of the financial position of the Authority as at the 30th September 2016 |
| **Reason for Submission:** | To ensure the Board, are aware of the financial position of the HRA as at the end of September 2016.  |
| **Lead Reviewer:** | Tom Smith, Director of Guidance and Learning - 31 October 2016 |
| **Details:** | This paper presents the financial position as at the end of August 2016. Main points to note:* The HRA moved to an overspend position of £4k as at the end of September 2016 ( position at end of August over spend of £24k).
* An under spend on pay of £50k was offset by an over spend on non pay of £54k.
* The position includes the previously reported unbudgeted charge for the disposal of the Video conferencing equipment (£18.5k) and includes costs associated with the archiving project (£70k) which unexpectedly over ran into 2016/17.
* The reduction from initial budget with regards to HRA income
* The HRA has continued to meet the duty to pay 95% of invoices in 30 days achieving 97% based on number of invoices, and achieved the target based on value by achieving 100%.
* The capital position is reporting a slight underspend of £18k (position at end of August £14k underspent). Initial forecasting indicates a year end underspend of £138k, as a result of the reduced contract price with the systems developers.
* There has been a reduction in the level of cash held from the year end of £3.485m to £2.727m
* The Department of Health has confirmed the budget for 2016/17 in line with the financial plan as expected.
 |
| **Suitable for wider circulation?** | **Yes, following Board** |
| **Time required for item:** | **10 minutes** |

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| **Recommendation / Proposed Actions:** | **To Approve** | **Yes** |
| **To Note** |  |
| **For discussion** |  |
| **Comments** |  |

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| **Name:** | Sylvia Hazard |
| **Job Title:** | Interim Head of Finance and Procurement  |
| **Date:** | 24 October 2016 |

**Executive Summary – Headlines**

* HRA is reporting an expenditure budget overspend of £4k at the end of September (£24k overspend in August). Revenue forecast outturn remains at break-even.
* Pay budgets are under spent by £50k. This is including a £75k year to date vacancy factor having been applied.
* Non pay budgets are over spent by £54k largely due the over run of the archiving project and the disposal of the video conferencing assets.
* Reduction in income budget as calculated charges for Devolved Administrations lower than initial budget estimate.
* Capital budgets are underspent by £18k at the end of September.
* The Better Payment Practice Code (BPPC) compliance for April to September was 97% for the number of invoices paid, which is in line with the overall performance for 2015/16, and is reporting 100% for value of invoices paid. The HRA has maintained the stretched target of paying 60% of suppliers in 10 days target for 2016/17. All approvers are asked to note this and to approve invoices promptly or place on hold if there is a dispute. Performance is published on our website.
* Cash balance has reduced from year end £3.485 million (with liabilities to pay of £1.296million) to £2.727 million (with liabilities to pay of £1.032million).
* The cash balance at the end of September 2016 was £2.727m, which is a reduction against the balance held at the end of August 16 (£2.744m) and less than the balance held at the end of March 16 of £3.485m.

**Finance Report - Financial Year 2016/17**

**Health Research Authority as at 30 September 2016**

**Resource Limit Revenue and Capital**

The HRA grant in aid and revenue resource limit for the year was presented in the 2016/17 financial plan and this report continues to be based on the same figures of £13,080k. The Capital Resource Limit agreed for 2016/17 by the Department of Health is £910k.

**Position Against Revenue and Capital Resource Limit**

The Authority has spent £6.16 million year to date – shown in table 1

The main points to note in the reported outturn expenditure position as at 30 September 2016 of £6.16m are:

1. Total pay costs incurred are £4.24m (69% of total expenditure costs).
2. Pay budgets are under spent by £50k. This is net of the £75k year to date vacancy factor, the overall pay underspend would have therefore been £125k.
3. Non-pay budgets are over spent by £54k. As previously advised £70k relates to the archiving projects running into the new year and £18.5k relates to the asset disposal. These are both non recurrent impacts. A continuing cost pressure on non-pay is the overspend on Skipton House rent which will remain as a recurrent pressure.

**Table 1: HRA Revenue position for the period ended 30 September 2016**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period (£'000)** |  | **Department** |  | **Year to date (£'000)** |  | **Full year (£'000)** |
|  |  |  |  |  |  |  |  |  |  |  | **2016/17** |
| **Budget** | **Actual** | **Variance** |  | **Income** |  | **Budget** | **Actual** | **Variance** |  | **2015/16 actual** |  **Initial budget** | **Latest Budget** | **Forecast** |
| 88 | 88 | 0 |  | HRA income |  | 88 | 88 | 0 |  | 198 | 200 | 176 | 176 |
| 898 | 878 | -20 |  | Grant in Aid confirmed |  | 5,879 | 5,883 | 4 |  | 12,509 | 12,630 | 12,630 | 12,630 |
| 98 | 98 | 0 |  | Non cash revenue resource limit |  | 186 | 186 | 0 |  | 253 | 450 | 450 | 450 |
| **1,084** | **1,064** | **-20** |  |  **Total Income** |  | **6,153** | **6,157** | **4** |  | **12,960** | **13,280** | **13,256** | **13,256** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Budget** | **Actual** | **Variance** |  | **Expenditure** |  | **Budget** | **Actual** | **Variance** |  | **2015/16 actual** | **Initial budget** | **Latest Budget** | **Forecast** |
| 334 | 329 | -5 |  | Operations |  | 2,009 | 2,009 | 0 |  | 4,573 | 4,021 | 4,021 | 4,021 |
| 234 | 237 | 3 |  | Chief Executive inc. Corp Sec |  | 924 | 942 | 18 |  | 1,821 | 1,986 | 1,984 | 1,984 |
| 206 | 200 | -6 |  | Corporate Services |  | 1,298 | 1,321 | 23 |  | 1,828 | 1,812 | 2,676 | 2,676 |
| 48 | 48 | 0 |  | Finance, Procurement and Estates |  | 342 | 340 | -2 |  | 1,256 | 1,315 | 1,321 | 1,321 |
| 262 | 250 | -12 |  | Research Systems, Standards and HRA Approval Prog |  | 1,580 | 1,545 | -35 |  | 3,482 | 4,146 | 3,254 | 3,254 |
| **1,084** | **1,064** | **-20** |  |  **Total Expenditure** |  | **6,153** | **6,157** | **4** |  | **12,960** | **13,280** | **13,256** | **13,256** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **0** | **0** | **0** |  | **Surplus /Deficit** |  | **0** | **0** | **0** |  | **0** | **0** | **0** | **0** |

The Authority has spent £374k on capital year to date – shown in table 1a.

The main points to note in the reported capital outturn expenditure position as at 30 September 2016 of £374k are:

1. Underspend on the capitalised salaries of £32k. This is due to contractors leaving earlier than originally budgeted for and a delay in recruitment of one post.
2. Overspend on the BGO contract of £13k. This is due to more senior posts continuing to be used on the developments to the IRAS system. This is being addressed with BGO to ensure that the trend does not continue.

**Table 1a**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Plan initiative** | **2016/17 plan** | **2016/17 budget to date** | **2016/17 actual** | **2016/17 variance**  | **2016/17Year end Forecast** |
| **£ '000** | **£ '000** | **£ '000** | **£ '000** | **£ '000** |
| HARP Developments | 215 | 108 | 104 | -4 | 212 |
| IRAS Developments | 362 | 181 | 198 | 17 | 379 |
| IS Team – capitalised salaries | 155 | 103 | 71 | -32 | 126 |
| Capital reserve | 178 |   | 0 | 0 | 55 |
| **TOTAL AGREED FOLLOWING SPENDING REVIEW** | **910** | **392** | **374** | **-18** | **772** |

**Forecast outturn 2016/17**

Revenue

The finance team have received monthly forecast from budget managers since June. These revenue forecasts have been refined over the three months, and although some further refinements are still required the forecast position against expenditure remains at broadly break even.

The reserves have being reviewed and the updated position is £539k of earmarked reserves and £67k unearmarked reserves. Some of the projects within earmarked reserves are in collaboration with other organisations and this creates an element of uncertainty with regards to the projects timescales. Any range created by these projects on the forecast will be included from October onwards.

Capital

Initial work on the forecasting for the year end, indicates a surplus of £138k, which is mainly as a result of the contract for the development of the HARP and IRAS system being negotiated at a lower cost than anticipated when setting the capital budget. This initial forecast underspend has been notified to DH through the quarter 2 consolidation schedule, but this potential surplus has not agreed to be returned for use in the wider system until the final position is known regarding planned investment linked to the EU portal, which may impact on the final year end position.

**Statement of Financial Position and cash**

The Statement of Financial Position and cashflow are produced for each quarter end. These can be found within the additional information at the end of the report.

The main points of the Statement of Financial Position as at the 30th September 2016 are:

1. The increase in fixed assets represents the capital investment in the development of IRAS and HARP during the year.
2. Net current assets in the quarter have reduced compared to the year end position, which is due to a lower level of cash being held at the end of September and a lower level of creditors being held.

At the end of the reporting period, the cash balance was £2.727m. The forecast cash balance at the end of March 2017 is £3.195m. In order to fulfil the duty to avoid holding excess levels of cash, the HRA will continue to monitor the cash position during 2016/17 to ensure that sufficient cash is held for future needs, but will aim to reduce the cash balances held.

**Better payments performance**

The HRA has continued to meet the duty to pay 95% of invoices in 30 days, also maintaining the internal stretched target of paying 60% of suppliers in 10 days.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | Number | % | Value (£) | % |
| 0-5 | 220 | 10% | 387,291 | 14% |
| 6-10 Days | 1316 | 62% | 1,323,397 | 48% |
| 11-20 Days | 496 | 23% | 918,342 | 33% |
| 21-30 Days | 26 | 1% | 129,210 | 5% |
| Over 30 Days | 57 | 3% | 3,428 | 0% |
| Total | 2,115 | 100% | 2,761,667 | 100% |
|  |  |  |  |  |
| **BPPC achieved** | 97% | 97% | 100% | 100% |
|  |  |  |  |  |
| **2015/16 Performance** | 98% | 98% | 97% | 97% |
| **2015/16 0-5 day performance** | 306 | 7% | 1,395,005 | 21% |

**Travel costs**

Table 2 below sets out the total travel costs position (staff, members inclusive) at the end of September 2016. £273k has been spent year to date with a £1.6k under spend against the plan (£2k underspend in August).

**Table 2: Travel costs and budget across the HRA by Directorate**



**Recommendations**

The Board is asked to note the financial position and the following points of note:

* The current overspend position, with the broadly breakeven revenue forecast outturn
* The under spend on pay offset by an over spend on non pay and the reasons.
* The excellent performance on the Better Payments Practice Code position to meet the 95% target based on number of invoices and the value and the 60% achievement of payments within 10 days.
* The actual performance on travel costs which show that delivery of savings is achievable provided travel decisions and timings are carefully considered.
* The capital position at the end of the period and likely underspend forecast outturn.

**Sylvia Hazard**

**Interim Head of Finance and Procurement**

**25 October 2016**

**Supplementary Information**

**The following tables and comments are included to provide additional information:**

**Cash releasing Savings**

The following areas will form the basis of ensuring that the HRA continues to remain within its financial envelope over the term of the spending review:

* Vacancy factor.
* Continued savings in estates costs through improved use of footprint.
* Savings in per head staff travel costs to justify the investment made in digital telephony. Given the expenditure on travel in 2015/16, this area poses a risk and a challenge and will require concerted management action.
* Savings in introduction of Managed Print Service and roll out of this service as leases expire on current photocopier agreements.
* Savings through the use of the Member Portal.
* Savings on HRA’s largest information systems contract.

**Health Research Authority – Non Pay Expenditure Breakdown Year to end September 2016**

|  |  |
| --- | --- |
| **Areas of Non- Pay Expenditure** |  Note: The overspend on other external contracts largely relates to the over run on the archiving project.. The overspend within the statutory costs relates to the Asset disposal.  |

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| **Cashflow forecast for period ending March 2017**  |



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| (1) April to September are cash actuals – October to March 17 are forecast |
| (2) Assumes breakeven at year end |
| (3) Assume that Tax/NI and Pensions for March 17 are paid in March 17 |
| (4) Assume that level of creditors at year end will be slightly lower than in prior years |
| (5) Debtors figures relate to VAT refund, offsetting against revenue payments made. Forecast revenue payments have been increased by the VAT reclaimed to agree back to baseline revenue budgets, as cash payments will be higher than budgets. |

**Statement of Financial Position as at 30th September 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Mar-16** |  | **Sep-16** |  |
|  | **£k** |  | **£k** |  |
| **Fixed assets** |  1,510  |  | 1,678 |  |
|  |   |  |   |  |
| **Current assets** |   |  |   |  |
| Trade and other receivables | 270 |  | 227 |  |
| Cash and cash equivalents | 3,485 |  | 2,727 |  |
|  | **3,755** |  | **2,953** |  |
| **Less** |   |  |   |  |
|  |   |  |   |  |
| **Current Liabilities** |   |  |   |  |
| Trade and other payables | 1,296 |  | 1,032 |  |
| Provisions for liabilities and charges |    |  |   |  |
| Other liabilities |   |  | 0 |  |
|  | **1,296** |  | **1,032** |  |
|  |  |  |  |  |
| **Net Current Assets/(Liabilities)** | **2,459** |  | **1,921** |  |
|  |   |  |   |  |
|  | **3,969** |   | **3,599** |   |
| **Net Assets/(Liabilities)** |   |   |
|   |   |  |   |  |
| **Represented by:-**  |   |  |   |  |
| **Tax payers Equity** |   |  |   |  |
| Department of Health Funding General Fund | 3,969 |  | 3,599 |  |
|   |   |  |   |  |
| **Total Taxpayers' Equity** | **3,969** |  | **3,599** |  |

**Directorate Pay – budget, actual, variance and vacancy factor 2016/17**



**Chart to show actual staffing headcount so far in 2016**

