

Agenda item:	7
Attachment:	B

HRA Board cover sheet

20 January 2021

Title of paper:	Finance report – 8 months to 30 November 2020
Submitted by:	Sylvia Hazard and Karen Williams
Summary of paper:	To enable an informed understanding of our financial performance for the 8 months to 30 November 2020 in line with the HRA's standing financial instructions and scheme of delegation.
Reason for submission:	For approval
Further information:	<p>Main points to note:</p> <ul style="list-style-type: none"> • 8 months' financial performance to November 2020 is within forecast and this is expected to continue for the full year. • Research systems programme full business case was approved by DHSC Investment Committee on 15th December (£25.5M additional funding to 2027). This enables delivery of the research systems transformation including business change and internal capacity to support this. • CSR2020 is likely to provide a flat cash settlement for the HRA for core activities based on 2020/21 baseline. SLT are now planning for this outcome and what this means for our spending review bids including research review and fast-track roll out. • Government internal audit review of financial controls has reported a substantial rating – demonstrating the strong financial control framework in place at the HRA.
Dissemination:	HRA Board papers are published on the internet
Time required:	10 mins

HRA finance report

8 months to 30 November 2020

Executive summary – headlines

- The HRA revenue expenditure for the 8 months to 30 November 2020 was £9,624k (2019/20: £9,317k) and £998k (2019/20: £883k) capital. Revenue expenditure represented an underspend of £165k, -1.7% (2019/20 -£45k, -0.5%) and on capital expenditure an underspend of £0k, 0.0% (2019/20 £283k overspend, 47.1%). Expenditure continues to track just below expectations.
- Research systems transformation funding £3,902k, (£2,569k revenue; £1,334k capital) has been included in this report following approval of the full business case (FBC) by Department of Health and Social Care (DHSC) Investment Committee. This is an increase of £1,302k on previous reports where bridging funding had been provided by DHSC to enable the appropriate governance to take place on the business case. This increase will fund the programme to the end of the year and includes on-boarding of our delivery partner.
- There is a high likelihood that the HRA will underspend on our business plan for 2020/21. This is the result of several factors including the impact of COVID-19 on delivery and recruitment and early release of our London office to support Public Health England, while HRA staff predominantly 'work from home'. Underspends have been redirected into strategic priorities – for example the research review programme and implementing COVID-19 measures however there will still remain some underspend to return to DHSC. Estimates are currently being determined and will be discussed with DHSC finance in early 2021.

Revenue: Full year 8 months to 30 November 2020

Income	Budget £'000	Budget £'000	Actual £'000	Variance £'000	Variance
DHSC grant in aid (revenue)	14,493	7,494	7,319	-175	-2.3%
DHSC research systems funding (revenue)	2,569	1,471	1,481	10	0.7%
NHSX AI lab funding	185	1	1	0	0.0%
HRA income	281	281	281	0	0.0%
Non-cash revenue funding	1,408	542	542	0	0.0%
Total Income	18,936	9,789	9,624	-165	-1.7%

Revenue financial performance for the 8 months to 30 November 2020 is £9,789k, £165k below budget reflecting a corresponding underspend on expenditure. DHSC research systems full year funding has been updated to reflect business case revised figures which were approved by DHSC Investment Committee in December 2020.

HRA income relates to cost sharing arrangements in place with the devolved administrations. The figure included has been confirmed and approved by the devolved administrations.

Expenditure: Full year 8 months to 30 November 2020

Expenditure	Budget £'000	Budget £'000	Actual £'000	Variance £'000	Variance
Approvals - operational	4,645	3,057	3,000	-57	-1.9%
Approvals - co-ordination & guidance	703	457	449	-8	-1.8%
Approvals - member support	771	516	502	-14	-2.8%
Confidentiality advisory service	239	155	160	5	2.8%
Total services expenditure	6,357	4,185	4,111	-74	-1.8%
Chief exec and Board	252	168	163	-5	-2.8%
Policy and partnerships	882	557	537	-20	-3.6%
Governance (incl. quality)	322	216	211	-5	-2.1%
Training	340	230	216	-14	-6.2%
Corporate services	688	447	455	8	1.7%
Transformation	4,049	1,682	1,687	4	0.3%
Premises	886	589	544	-46	-7.7%
IT infrastructure	573	432	430	-2	-0.5%
Finance and procurement	754	511	502	-9	-1.9%
Pension adjustment	400	228	228	0	0.0%
Reserves	2,024	0	0	0	0.0%
Depreciation	1,408	542	542	0	0.0%
Total expenditure	18,936	9,788	9,624	-165	-1.7%
Surplus /Deficit	0	0	0	0	

Expenditure is slightly below expectations and within 1.7% of phased budgets. The underspend of £165k is split between pay (£78k) and non-pay (£87k). Pay underspend relates to delays in recruitment following the pandemic. This will reverse as appointments to new roles supporting service delivery, infrastructure and transformation are on-boarded. Non-pay underspend relates to year-end adjustments and the early return of our London office to DHSC to support Public Health England.

Key variances:

Approvals operational: -£58k -1.9%. As previously reported, this is mostly a pay underspend. Recruitment activity in the Autumn has addressed this with roles being filled both now and into the new year.

Approvals member support: -£14k -2.8%. As previously reported, this underspend relates to non-pay and reflects year-end adjustments for catering and meeting room hire.

Policy and partnerships: -£20k -3.6%. This relates to some delays in recruiting to the team at band 7 and band 5.

Training: -£14k -6.2%. This underspend relates to a move to virtual delivery in response to the pandemic and a corresponding reduction in travel costs.

Premises: - £46k 7.7%. This underspend is permanent and relates to year-end adjustments, closure of our London office and savings achieved on print and electricity usage. Some of these costs are off-set by increased costs of supporting our staff to work well at home during the pandemic.

2020/21: financial risks:

1. Our response to COVID-19 has provided the sector with an attractive fast-track approval service combined with increased virtual decision making. Our research review programme is examining how we can learn from our COVID-19 response to inform future ways of working. There is a risk that demand for a fast-track service could put unmanageable pressure on the HRA's limited resources. Our research review programme will explore a range of options to inform future service delivery including funding impact. Additional costs associated with the fast-track service have been included in our CSR 2020 bid. (est. £1.8m/annum).
2. The scale of the research systems transformation presents development and financial risk. Capacity building in the programme is in progress to ensure strong programme management, strategic leadership (CDTO) and organisational capacity is in place prior to confirmation of the FBC in December. In addition, commercial and financial governance is in place for the programme with strong commercial and technical representation from DHSC. This risk is expected to be mitigated following approval of the FBC at DHSC Investment Committee and subsequent on-boarding of necessary resources to deliver this programme.
3. Annual funding for transformation programme impacts on procurement strategy and approach. Without multi-year funding, procurement approach is fragmented, less attractive to the market and potentially challenging to successfully deliver commercial value and planned system benefit. Approval of the full business case by DHSC Investment Committee in December has addressed this risk.

Staff costs: 8 months to 30 November 2020

Function	budget ytd £000	actual ytd £000	variance ytd £000
Approvals - member support	335	333	-2
Approvals - operational	3,050	2,992	-57
Approvals - co-ordination & guidance	456	448	-8
Confidentiality advisory service	150	154	4
Training	141	141	1
Total services pay costs	4,132	4,069	-63
Chief Executive and Board	166	164	-2
Corporate services	376	379	3
Transformation	595	598	4
Finance and procurement	331	334	3
IT infrastructure	84	87	2
Governance (incl. Quality)	208	206	-2
Policy and partnerships	538	516	-22
Central pension adjustment	260	260	0
Total pay costs	6,690	6,612	-78

Staff whole time equivalents (WTEs)



Staff numbers are now above our original budget which we set at the start of the year. This reflects the strategic interventions taken in year to address both core operational need and to deliver on strategic priorities such as research review programme. This increased capacity is likely to grow in coming months as research systems programme activity accelerates. Increased establishment levels will be factored into 2021/22 planning to ensure HRA has sufficient capacity and capabilities to deliver on our core statutory role and support our transformation programme including research systems.

Non-pay costs

Non-pay underspend of £87k is due to:

- Year-end adjustments from 2019/20
- Reduced estates costs (electricity charges, photocopiers) while staff work from home
- Early return of our London office to DHSC to support Public Health England before signing our new occupancy agreement for Redman Place in Stratford.

Reserves

Our financial plan set the strategic reserves limit for 2020/21 at £2,258k, funded by DHSC grant in aid (£2,021k) and NHS X (£237k). These funds have been fully allocated in year to fund the strategic and operational business cases supported within the business planning process, including regulatory review, transparency strategy, estates strategy and future service programme.

Strategic reserves funding	£000
DHSC grant in aid	2,021
NHS X funding	237
Total	2,258
Strategic reserves plans	£000
Programme and operational capacity	98
Research review	570
Streamlining data driven research	237
Make it Public - transparency	240
Supporting our people	140
Valuing our volunteers	44
Estates strategy	209
ICT infrastructure	270
Pensions employers' contribution	400
Contingency	50
Total	2,258

Although all reserves have been fully allocated delays experienced in securing resources to deliver on these programmes and savings achieved as a result of COVID-19 will mean that the HRA does not fully utilise our programme expenditure in year. Detailed analysis of our forecast is being performed as part of the quarter 3 financial process and will be reported to leadership team and the Board in the new year.

Capital expenditure (to quarter 2)

Capital expenditure includes core infrastructure capital expenditure (rolling laptop replacement programme, office improvements) as well as the capital element of the legacy research systems programme.

The research systems transformation programme will create technology assets at a scale greater than previously at the HRA. Capital cost calculations are dependent on the nature of the development.

Capital category	full year budget £000	ytd budget £000	ytd actual £000	ytd variance £000
Infrastructure	100	0	0	0
Legacy systems	433	233	233	0
Research systems	1,067	765	765	0
Total	1,600	998	998	0

Better payments performance

The HRA has fallen below the duty to pay 95% of invoices in 30 days. This is due to changes to how the HRA processes committee members expenses which has meant unfortunately, the numbers processed have been paid slightly outside of the 30-day target. Revised processes have been implemented to address this fall below the benchmark but delays due to year-end processing and COVID-19 disruption have meant these improvements are not reflected in the year to date performance (see below).

	Number	Value (£)
Benchmark	95%	95%
2020/21	89%	100%
2019/20	86%	98%

Further analysis on a month by month basis does show improvement and it is expected that this performance metric will meet the target over the coming months.

