

<b>Agenda item:</b>	8
<b>Attachment:</b>	A

## HRA Board cover sheet

### 20 January 2021

<b>Title of paper:</b>	Finance Plan – outline assumptions 2021/22
<b>Submitted by:</b>	Karen Williams
<b>Summary of paper:</b>	<p>This paper sets out the financial assumptions SLT has agreed to inform our business and financial planning process this year.</p> <p>The Board is asked to review and approve these assumptions as a basis for planning for 2021/22.</p>
<b>Reason for submission:</b>	For approval
<b>Further information:</b>	See paper
<b>Dissemination:</b>	HRA Board papers are published on the internet
<b>Time required:</b>	10 mins

# Financial plan – outline assumptions 2020/21

Our vision is for high-quality health and social care research that improves people's health and wellbeing. As part of our corporate timetable the HRA sets financial assumptions to provide a framework for our planning process for the year ahead based on outline financial funding predictions. We are now working on developing our business plan for 2021/22, setting out what we intend to achieve in 2021/22 supported by a comprehensive financial plan.

This paper sets out the financial assumptions SLT has agreed to inform our business and financial planning process this year. The Board is asked to review and approve these assumptions as a basis for planning for 2021/22.

## Background

The HRA is funded by the Department of Health and Social Care (DHSC). This funding, known as grant-in-aid (GIA), is usually confirmed on a three-year cycle through HM Treasury's comprehensive spending review (CSR). Three-year funding enables medium to longer term planning for the HRA and wider government. The CSR in 2020 confirmed a single year's funding in order to prioritise the response to Covid-19 and focus on supporting jobs. Whilst financial information and associated bids for additional funding were provided for three-years, HM Treasury decided to confirm one year's funding only given the unprecedented uncertainty of Covid-19.

Whilst DHSC have had their funding envelope confirmed by HM Treasury and its better comparatively to some departments, it is not sufficient to deliver on all DHSC priorities. General communications from DH finance is for arms' length bodies (ALBs) to plan for a flat 2021/22 funding settlement and prepare for either a 1-year or 3-year spending review in 2021. Additional funding requests will be considered across the health portfolio based on 2020 CSR request and current government priorities. Prior years' experience would suggest that final settlements will not be confirmed until February / March.

The HRA submitted four bids in the 2020 CSR of which only one has had funding confirmed at this stage, research systems transformation:

- A vision for UK clinical trials and Investigations
- National registry of clinical trials
- Research review (including fast-track service)
- Research systems transformation

HRA is actively engaging with DHSC finance and sponsor branch to pitch for funding for the remaining CSR bids but has yet to have confirmation either way. Our planning exercise will take into account this uncertainty to help inform the business plan process. At the same time our planning work will update continuing conversations with DHSC sponsor branch to argue for additional funding for 2021/22 to deliver on CSR priorities.

## HRA funding

HRA funding comprises grant in aid from DHSC, funding for business cases and cost sharing revenue from the 4 nations. DHSC revenue contributes 99% of our funding.

### Grant in aid funding:

	2019/20 £000	2020/21 £000	2021/22 £000
Revenue funding	12,493	14,493	14,493
Depreciation / amortisation funding	1,000	1,408	1,500
Capital funding	700	700	700
<b>Total funding</b>	<b>14,193</b>	<b>16,601</b>	<b>16,693</b>

In addition to grant in aid funding, the HRA secures additional funds for programmes through the business cases process. These programmes are targeted to achieve prioritised government / strategic objectives. In 2021/22 the HRA has two funded business cases: Research Systems Transformation Programme and Streamlining Data Driven Research programme.

### Business case funding:

	2019/20 £000	2020/21 £000	2021/22 £000
Research systems transformation	4,500	3,902	5,952
Streamlining data driven research	0	186	2,102
<b>Total funding</b>	<b>4,500</b>	<b>4,088</b>	<b>8,054</b>

## Our financial planning assumptions for 2021/22

Outline financial assumptions have been defined to give SLT a framework within which to develop 2021/22 business plan. The Board is asked to review and approve these to enable the HRA 2021/22 business planning process to continue.

### Funding:

- Grant in aid funding will be flat cash for 2021/22 (revenue funding £14,493k; capital funding £700k). High-level inflationary pressures estimated to be £200k/annum
- Research systems transformation funding is in line with the full business case approved by DHSC Investment Committee in December 2020 (£5,952k)
- Streamlined data driven technology research funding is in line with business case approved by NHS X as part of their Artificial Intelligence Laboratory (AI Lab) funding.

### Expenditure:

#### Pay costs:

- Pay inflation has been set at 2% of staff costs.

Whilst the Chancellor announced that public sector pay increases will be 'paused' for 2021/22, he stated that there would be an exemption for NHS staff. HRA staff are paid in accordance with 'agenda for change'; the NHS terms and conditions of service and therefore are likely to benefit in line with NHS front line staff. HRA will not be provided with an uplift in our grant in aid for any pay increase agreed centrally with increase funded from existing grant in aid allocation.

- NHS pension employer contributions have been included at 20.6% of gross salary plus an employer's levy of 0.08%.

This reflects the increase in employer contributions confirmed for 2019/2020 of 6.3% following a DHSC led consultation. 2.5% of the increase was foreseen in the 2016 budget and funded centrally with a corresponding increase in the HRA's grant in aid. The remainder 3.8% was not funded centrally with health ALBs expected to fund this element from existing grant in aid funding.

- £250k vacancy provision

This reflects usual recruitment turnover which tends to result in a small underspend on staff costs. This provision is 2.5% of total staff costs and will be managed centrally by finance.

### **Reserves and non-pay costs**

- £500k strategic reserves fund allocation as a minimum to invest in strategic interventions / innovation / transformation portfolio activities.
- Estates strategy economies estimated at £165k/annum following Bristol and London office moves. Refreshed estates strategy will be presented to the Board in March 2021. £50k economies achieved through ICT infrastructure contract renewal.
- Travel, meeting, postage costs assumed at 50% of usual run rate (19/20) for 21/22. Research review will set future cost base once ethics operating model is determined.
- Allowance for face to face staff conference in 21/22 following extended period of homeworking
- £150k contingency

### **Efficiencies targets 22/23 and beyond**

- Financial plan requires £200k/annum efficiency savings to fund annual inflationary pressures in order to maintain adequate strategic reserves funding

### **Decision**

The HRA Board are requested to review the financial assumptions set for 2021/22 planning process and approve the approach.