

Agenda item:	7
Attachment:	B

HRA Board meeting cover sheet

24 March 2021

Title of paper:	Finance report – 10 months to 31 January 2021
Submitted by:	Sylvia Hazard and Karen Williams
Summary of paper:	To enable an informed understanding of our financial performance for the 10 months to 31 January 2021 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"> • 10 months' financial performance to end 31 January 2021 is within forecast and this is expected to continue for the full year. • Underspend forecast on activities of £700k. This will not reverse before the year-end and is likely to increase. Underspend due to delays resulting from COVID19 and time taken to implement effective sourcing strategy for increased organisational resilience. • 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. • Outcome of CSR2020 has not yet been confirmed. Our research review (including fast-track) and UK registry proposals are being considered by DHSC and require additional funding. • Outline funding projections have been provided by DHSC and SLT are planning on that basis. Update will be provided at meeting.
Dissemination:	HRA Board papers are published on the internet
Time required:	10 mins

HRA finance report

10 months to 31 January 2021

Executive summary – headlines

- The HRA revenue expenditure for the 10 months to 31 January 2021 was £12,448k (2019/20: £11,519k) and £1,414k (2019/20: £1,492k) capital. Revenue expenditure represented an underspend of £332k, -2.6% (2019/20 -£104k, -0.9%) and on capital expenditure an overspend of £22k, 1.7% (2019/20 £22k underspend, -1.46%). Expenditure continues to track slightly 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 prior to formal approval of the transformational business case. This increase will fund the programme to the end of the year and includes on-boarding of our delivery partner in February 2021.
- 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, timing of funding decisions 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 remains some underspend to return to DHSC. £700k underspend has been confirmed with DHSC finance through the Qtr3 consolidation process and is likely to increase further.

Revenue: 10 months to 31 January 2021

	Full year	10 mths ended 31 Jan 2021	10 mths ended 31 Jan 2021	10 mths ended 31 Jan 2021	
Income	Budget £'000	Budget £'000	Actual £'000	Variance £'000	Variance
DHSC grant in aid (revenue)	14,493	9,739	9,435	-304	-3.1%
DHSC research systems funding (revenue)	2,569	1,861	1,850	-11	-0.6%
NHSX AI lab funding	185	42	25	-17	0.0%
HRA income	281	281	281	0	0.0%
Non-cash revenue funding	1,200	857	857	0	0.0%
Total Income	18,728	12,780	12,448	-332	-2.6%

Revenue financial performance for the 10 months to 31 January is £12,448k, £332k 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	10 mths ended 31 Jan 2021	10 mths ended 31 Jan 2021	10 mths ended 31 Jan 2021	
Expenditure	Budget £'000	Budget £'000	Actual £'000	Variance £'000	Variance
Approvals - Operational	4,738	3,878	3,749	-129	-3.3%
Approvals - Co-ordination & Guidance	721	588	568	-20	-3.3%
Approvals - Member Support	771	643	624	-19	-3.0%
Confidentiality Advisory Service	239	197	202	5	2.4%
Total Services Expenditure	6,468	5,306	5,143	-163	-3.1%
Chief Exec and Board	252	229	209	-20	-8.8%
Policy and Partnerships	882	724	724	-1	-0.1%
Governance (inc. Quality)	322	271	260	-11	-4.0%
Training	340	289	272	-17	-6.0%
Corporate Services	734	594	592	-2	-0.4%
Transformation	3,544	2,236	2,173	-64	-2.9%
Premises	886	777	732	-44	-5.7%
IT Services	620	549	558	9	1.6%
Finance, Procurement & Estates	784	622	604	-18	-2.9%
Pension Adjustment	425	325	325	0	0.0%
Reserves	2,271	0	0	0	0.0%
Depreciation	1,200	857	857	0	0.0%
Total Expenditure	18,728	12,780	12,449	-332	-2.6%
Surplus /Deficit	0	0	0	0	

Expenditure is slightly below expectations and within 2.6% of phased budgets. The underspend of £332k is split between pay (£235k) and non-pay (£97k). Pay underspend relates to delays in recruitment following the pandemic. Although workforce numbers now match plans and corresponding spend is nearing expectations, historic underspends will not be reversed with a resulting underspend on year-end out-turn predicted. Recently introduced permanent roles, supporting service delivery, infrastructure and transformation have now been recruited to and are being 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 Service: -£163k -3.1%. As previously reported, this is mostly a pay underspend (£150k). Recruitment activity in the Autumn has addressed this with roles being filled both now and into the new year.

Chief Executive and Board: -£20k -8.8%. This contains a profile error within the pay and will be corrected in February.

Training: -£17k -6.0%. This mostly relates to year-end travel adjustments and participation fees lower than estimated to date. This underspend is expected to reduce.

Transformation: -£64k -2.9%. This underspend relates to pay costs tracking slightly behind budgeted expenditure across some of the programmes (£40k) and an unexpected refund in non-pay for computer hardware not previously included within the forecast.

Premises: - £44k -5.7%. This underspend is permanent and relates to year-end adjustments, closure of our London office and savings achieved on print and electricity usage. A proportion of these savings are off-set by increased costs of supporting our staff to work well at home during the pandemic including the provision of equipment and network enhancement.

2020/21: financial risks:

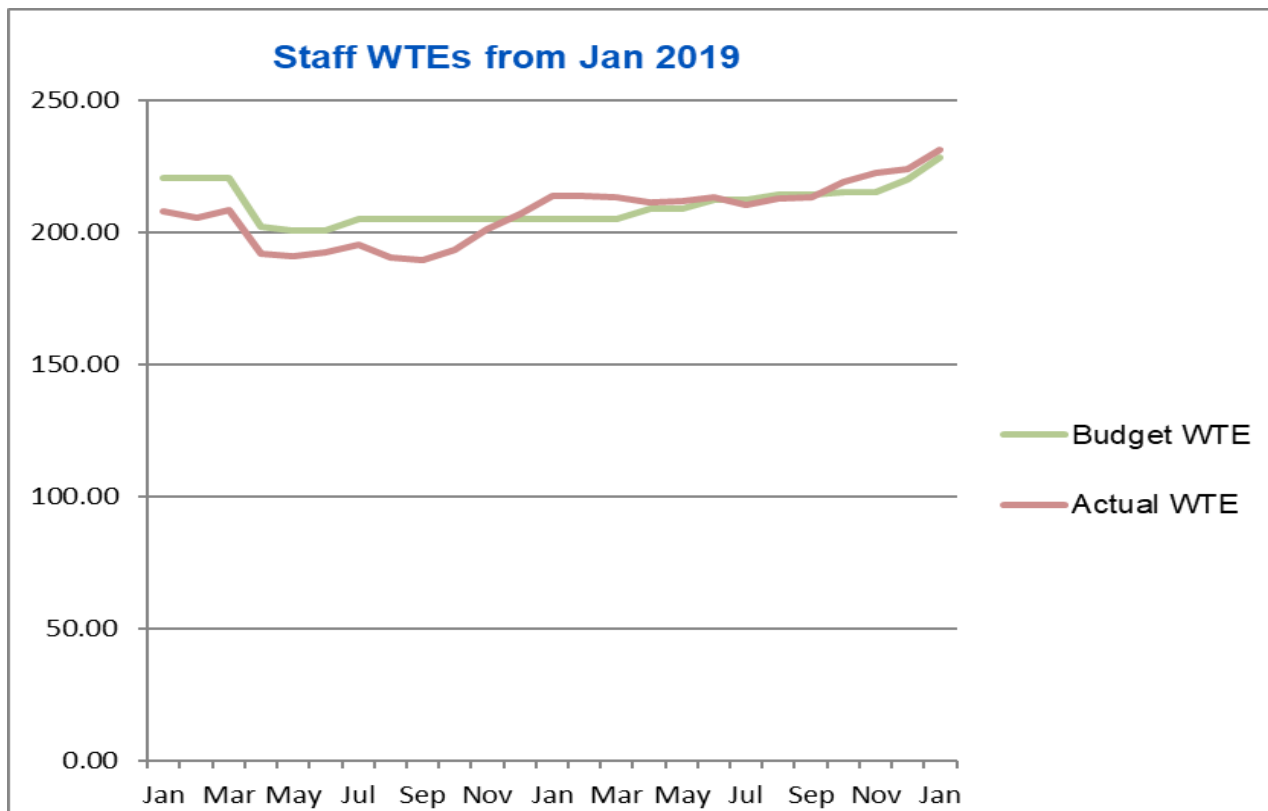
1. Our response to COVID-19 has provided the sector with an attractive fast-track approval service combined with increased virtual decision making. Our research review programme is examining how we can learn from our COVID-19 response to inform future ways of working. There is a risk that demand for a fast-track service will 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; £0.9m requirements for 2021/22 as service is rolled out).
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 complemented with strong commercial and financial governance and commercial representation from DHSC. This risk has been mitigated following approval of the FBC at DHSC Investment Committee. On-boarding of necessary resources to deliver this programme is now taking place at pace.

Staff costs: 10 months to 31 January 2021

Function	budget ytd £000	actual ytd £000	variance ytd £000
Approvals - member support	421	416	(5)
Approvals - operational	3,870	3,741	(129)
Approvals Co-ordination & guidance	587	567	(20)
Confidentiality advisory service	191	196	5
Training	176	175	(1)
Total services pay costs	5,245	5,095	(150)
Chief Executive and Board	224	205	(20)
Corporate services	488	484	(4)
Transformation	886	846	(40)

Finance and procurement	413	412	(2)
IT infrastructure	106	107	2
Governance (incl. Quality)	262	255	(7)
Policy and partnerships	691	677	(14)
Central pension adjustment	325	325	0
Total pay costs	8,641	8,406	(235)

Staff whole time equivalents (WTEs)



Staff numbers continue to increase 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 will continue to grow 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 £235k is due to:

- Year-end adjustments from 2019/20
- Prior year VAT adjustments in relation to Research Systems Programme
- 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 £2,206k, funded by DHSC grant in aid (£2,021k) and NHS X (£185k). 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	185
Total	2,206
Strategic reserves plans	£000
Programme and operational capacity	65
Research review (incl. fast-track pilot)	618
Streamlining data driven research	185
Make it Public - transparency	240
Supporting our people	140
Valuing our volunteers	44
Estates strategy	209
ICT infrastructure	270
Pensions employers' contribution	425
Contingency	10
Total	2,206

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. £700k underspend is forecast across all activities (core business operations and strategic reserves activities).

Capital expenditure

Capital expenditure includes core infrastructure capital expenditure (rolling laptop replacement programme), 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.

There is a small overspend of £22k against budget, which is due to budget profiling. HMRC have now confirmed the VAT treatment of development costs resulting in a release of the VAT accrual. A further application has been made to HMRC to seek confirmation on treatment of similar development work regardless of supplier.

Capital category	Full year budget	Ytd budget	Ytd actual	Ytd variance
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	£000	£000	£000	£000
Infrastructure	204	0	0	0
Legacy systems	80	80	80	0
Research systems	1,791	1,311	1,333	22
Total	2,075	1,391	1,413	22

Better payments performance

The HRA fell below the duty to pay 95% of invoices in 30 days at the beginning of the financial year due to process changes intended to reduce duplication which caused unintended delays. Revised processes have been implemented to reduce our timelines which has improved the position over the year. Cumulative position is still below the target however due to impact of delays earlier in the year.

	Number	Value (£)
Benchmark	95%	95%
2020/21	90%	100%
2019/20	86%	98%

BPPC Performance April 20 - January 21

