

Agenda item:	7
Attachment:	B

HRA Board cover sheet

21 July 2021

Title of paper:	Finance report – 2 months to 31 May 2021
Submitted by:	Karen Williams
Summary of paper:	To enable an informed understanding of our financial performance for the first 2 months to 31 May 2021 of 2021/22 financial year 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"> • 2 months' financial performance is an underspend of £382k which represents 12% of funding allocated with underspend primarily relating to staff vacancies. • Revenue funding for 2021/22 from Department of Health and Social Care (DHSC) is £21,878k (2020/21: £18,500k) which includes £3,987k (2020/21: £2,600k) RS Programme Bridging funding; £2,090k (2020/21: £2,000k) additional funds for expanded programmes. • Capital funding allocation is £2,765k (2020/21: £700k) associated with the research systems transformation business case.
Dissemination:	HRA Board papers are published on the internet
Time required:	10 mins

HRA Finance Report

2 months to 31 May 2021

Executive summary

The HRA annual budget for 2021/22 has been approved and set at £24,483k.

The HRA revenue expenditure for the 2 months to 31 May 2021 was £2,816k (2020/21: £2,662k). Revenue expenditure represented an underspend of -£382k, -12% (2020/21 - £27k, -1.0%) Expenditure tracks below expectations due to vacant posts across all business functions including programme related expenditure.

Government Funding and Revenue

Government funding and revenue	Annual Budget £000
DHSC Grant in Aid	14,393
DHSC Research Systems	3,987
Other DHSC	2,090
NHS X AI Lab	2,256
Devolved Nations	349
DHSC Depreciation	1,408
Total	24,483

The HRA annual budget for 2021/22 has been approved and set at £24,483k.

Revenue funding from 2021/22 from Department of Health and Social Care (DHSC) is £21,878k which includes £3,987k research systems business case funding and £2,256k additional funds for NHS X AI Lab

Funding includes a confirmed increase in Devolved Nations funding to £349k from £280k, reflecting the increase in costs associated with research systems.

Expenditure:

	Full year Budget £000	2 months ended 30 May 2021			
		Budget £000	Actual £000	Variance £000	
Approvals - Operational	5,149	833	752	(81)	(9.7%)
Approvals - Co-ordination & Guidance	737	120	120	0	0.4%
Approvals - Member Support	893	124	115	(9)	(7.3%)
Confidentiality Advisory Service	330	50	45	(5)	(10.2%)
Total Services Expenditure	7,109	1,127	1,032	(95)	(8.4%)
Chief Exec and Board	314	45	43	(1)	(3.1%)
Policy and Partnerships	1,193	186	137	(49)	(26.3%)
Governance (inc. Quality)	402	63	56	(7)	(10.7%)
Training	442	107	98	(10)	(8.9%)
Corporate Services	865	127	119	(8)	(6.2%)
Transformation	6,775	994	682	(312)	(31.4%)
Premises	713	110	149	39	35.5%
IT Services	547	211	264	53	25.1%
Finance, Procurement & Estates	914	149	163	14	9.7%
Pension Adjustment	471	79	71	(8)	(9.6%)
Reserves	3,329	(0)	0	0	0.0%
Depreciation	1,408	0	0	0	0.0%
Total Expenditure	24,483	3,197	2,816	(382)	(11.9%)

Month 2 expenditure is underspent by -£382k due primarily to vacant posts across all business activities. In particular, the transformation programme underspend contributes £312k of this variance (82%) and relates to vacancies in research system programme and research, resilience and growth programme. Whilst many roles have been or are currently being recruited, our plans had assumed that these roles would be in place by 1 April resulting in this underspend.

2021/22: financial risks:

Risk	Likelihood	Impact	Score	Mitigation	Net risk
Research systems transformation requires significant change in short timescales. HRA may not have the ability to scale up at pace to meet requirements of this programme.	3	4	12	Development partner on board New target operating model for RS team designed and being recruited to Wrap around resourcing contract being procured	8
Digital development extends beyond research systems programme and places unmanageable pressure on scarce	4	4	16	Backfill built into programme resourcing plan Portfolio view of digital programme will be managed by new role	12

Risk	Likelihood	Impact	Score	Mitigation	Net risk
organisational SME resources				Transformation portfolio delivery group managing issues / opportunities	
Revised spend controls introduced by Cabinet Office and HM Treasury slow down procurement	4	3	12	Head of Commercial role created and recruited to Procurement pipeline planning to mitigate impact of additional controls	9

Staff costs: 2 months to 31 May 2021

Function	Budget, YTD	Actual, YTD	Variance, YTD
	£000	£000	£000
Approvals - member support	81	74	(6)
Approvals – operational	832	751	(82)
Approvals Co-ordination & guidance	119	120	0
Confidentiality advisory service	50	43	(6)
Training	38	36	(2)
Total services pay costs	1,120	1,024	(95)
Chief Executive and Board	44	43	(1)
Corporate services	122	104	(19)
Transformation	743	428	(314)
Finance and procurement	105	134	29
IT infrastructure	21	21	0
Governance (incl. Quality)	62	56	(7)
Policy and partnerships	181	132	(49)
Central pension adjustment	79	71	(7)
Total pay costs	2,477	2,014	(463)

Total pay budget is underspent in month 2 by -£463k.

Recruitment strategies need to close this gap to protect operational delivery and create greater resilience in all business activities – both business as usual and programme related activities.

Transformation underspend relates to vacancies in research system programmes and research resilience and growth programme.

Recruitment has progressed in programme areas with appointments due in coming months and plans are in place for this area of underspend to be closely monitored.

Programme activity

	Budget	Actual	Variance	Variance
	£000	£000	£000	%
Research systems	638	551	(87)	(13.7%)
Research Review Programme	74	60	(13)	(18.1%)
Streamlining data driven research	58	40	(18)	(31.6%)
Make it Public - transparency	30	11	(19)	(63.4%)
Supporting our people	26	6	(20)	(76.2%)
Valuing our volunteers	5	1	(4)	(88.8%)
Research Resilience and Growth	163	13	(150)	(92.2%)
Total	994	682	(312)	(31.4%)

Month 2 programme activity is underspent by -£312k. Programme activity underspend is also impacted by staff vacancies reported earlier in the report.

Reserves:

Our financial plan set the strategic reserves limit for 2021/22 at £3,260k, funded by DHSC grant in aid. These funds will be 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, future service programme.

Strategic reserves - uncommitted	£000
Research systems future contracting capabilities	2,025
UK registry – funded by EU Exit funding	794
Pay award contingency	251
Contingency/unallocated	190
Total	3,260

Strategic reserves – uncommitted will be firmed up over the coming months as procurement activity delivers capacity and capabilities and NHS Employers confirms agenda for change pay award for 2021/22.

Capital expenditure

Capital expenditure includes core infrastructure capital expenditure (rolling laptop replacement programme), as well as the capital element of the research systems transformation programme. Our capital allocation for 2020/21 is £2,765k.

The capital position at month 2 shows break even as activity charged to capital for 2021/22 has yet to commence.

Better payments performance

The HRA have a duty to pay 95% of invoices in 30 days.

For the 2 months to 31 May 2021 the HRA achieved the target by number although didn't achieve the target by value due to one large value invoice that was paid just outside of the 30 days target.

	Number	Value (£)
Benchmark	95%	95%
2 months to May 2021	96%	93%

Cash performance

The HRA have an annual cash allocation in 2020/21 of £23,018k

The cash balance at the end of May 2021 was £4,204k (April 2021, £4,804k) which is 18% of the annual cash allocation with an expectation that this balance will be reduced in agreement with DHSC over the coming months.

Recommendations

The Executive Committee are asked to review and approve the finance report for the 2 months ended 31st May 2021 noting the underspend at month 2 which will be closely monitored and updated in year.

Karen Williams
Deputy Chief Executive and Director of Finance
16th June 2021