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| Agenda item: | 7 |
| Attachment: | B |

HRA Board cover sheet

22 September 2021

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| Title of paper: | Finance report – 4 months to 31 July 2021 |
| Submitted by: | Karen Williams |
| Summary of paper: | To enable an informed understanding of our financial performance for the 4 months to 31 July 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"> • 4 months' financial performance is an underspend of £728k which represents 10.8% of funding allocated with underspend primarily relating to staff vacancies (£970k). • 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) research systems transformation funding; £2,090k (2020/21: £2,000k) additional funds for expanded programmes. • Capital funding allocation is £2,765k (2020/21: £700k) associated predominantly with the research systems transformation business case. |
| Dissemination: | HRA Board papers are published on the internet |
| Time required: | 10 mins |

HRA Finance Report

4 months to 31 July 2021

Executive summary

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

The HRA revenue expenditure for the 4 months to 31 July 2021 was £5,987k. Revenue expenditure represented an underspend of -£728k, -10.8% (2020/21 -£100k, -1.7%) Expenditure tracks below expectations due to vacant posts across all business functions which has the potential to impact on performance and programme delivery. Whilst significant plans have been implemented to address this gap there still remains insufficient capacity to deliver on our business plan. Executive Committee will determine an action plan to address this gap.

Expenditure:

| | Full year | 4 months ended 31 July 2021 | | | |
|---|---------------|-----------------------------|--------------|--------------|----------------|
| | Budget | Budget | Actual | Variance | Variance |
| | £000 | £000 | £000 | £000 | |
| Approvals - Operational | 5,127 | 1,633 | 1,484 | (149) | (9.1%) |
| Approvals - Co-ordination & Guidance | 794 | 258 | 246 | (12) | (4.6%) |
| Approvals - Member Support | 893 | 244 | 233 | (11) | (4.5%) |
| Confidentiality Advisory Service | 330 | 102 | 87 | (15) | (14.6%) |
| Total Services Expenditure | 7,143 | 2,238 | 2,051 | (187) | (8.3%) |
| Chief Exec and Board | 314 | 89 | 88 | (2) | (1.8%) |
| Policy and Partnerships | 1,193 | 373 | 290 | (83) | (22.2%) |
| Governance (inc. Quality) | 402 | 128 | 118 | (10) | (7.9%) |
| Training | 442 | 163 | 133 | (29) | (18.1%) |
| Corporate Services | 865 | 275 | 272 | (4) | (1.3%) |
| Transformation | 6,741 | 2,090 | 1,722 | (368) | (17.6%) |
| Premises | 713 | 261 | 216 | (46) | (17.4%) |
| IT Services | 567 | 289 | 275 | (14) | (4.7%) |
| Finance, Procurement & Estates | 914 | 300 | 320 | 20 | 6.6% |
| Pension Adjustment | 471 | 157 | 149 | (8) | (4.9%) |
| Reserves | 3,309 | 0 | (21) | (21) | 0.0% |
| Depreciation | 1,408 | 352 | 374 | 22 | 0.0% |
| Total Expenditure | 24,483 | 6,715 | 5,987 | (728) | (10.8%) |

Month 4 expenditure is underspent by -£728k due primarily to vacant posts across all business activities particularly, Approvals operations, policy and partnerships, research systems and research, resilience and growth programmes. 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. The impact of this under-capacity on service delivery and transformation programmes will be established to help design and implement plans to address.

£1M reserves relating to streamlining data driven research systems development will be returned to NHSX AI Lab as this funding is no longer required. Value achieved through procurement process for development resources means these costs are 66% lower than initially expected, reducing our funding requirement. No change to deliverables is expected.

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 procured. | 8 |
| Digital development extends beyond research systems programme and places unmanageable pressure on scarce organisational specialists and SME resources | 4 | 4 | 16 | Backfill built into programme resourcing plan Portfolio view of digital programme will be managed by new role Transformation portfolio delivery group managing issues / opportunities | 12 |
| Continued underspend on 2021/22 plans creates unmanageable pressure on existing resources to deliver on extensive work programme | 4 | 3 | 12 | Recruitment panel process refined to reduce approval timelines / complexity. Review of recruitment process Executive Committee to discuss plan to address resourcing shortfall | 8 |

Staff costs: 4 months to 31 July 2021

| Function | Budget | Actual | Variance |
|---|--------------|--------------|--------------|
| | YTD | YTD | YTD |
| | £000 | £000 | £000 |
| Approvals - Operational | 1,632 | 1,482 | (150) |
| Approvals Co-ordination & guidance | 258 | 246 | (12) |
| Approvals - Member Support | 161 | 152 | (9) |
| Confidentiality Advisory Service | 99 | 85 | (15) |
| Training | 75 | 63 | (12) |
| Total services pay costs | 2,225 | 2,027 | (198) |
| Chief Executive and Board | 89 | 87 | (2) |
| Corporate services | 245 | 231 | (14) |
| Transformation | 1,414 | 721 | (694) |
| Finance and procurement | 236 | 263 | 27 |
| IT infrastructure | 41 | 42 | 0 |
| Governance (incl. Quality) | 124 | 115 | (10) |
| Policy and partnerships | 344 | 272 | (72) |
| Central pension adjustment | 157 | 149 | (8) |
| Total pay costs | 4,876 | 3,907 | (970) |

Total pay budget is underspent in month 4 by -£970k. Some of this underspend is off-set by services costs (non-pay) which have been bought in to provide capacity and capabilities required by our transformation portfolio (for example, exit management service and GDS assessment). As a result, total underspend on all activities is -£728k. Detailed analysis confirms that this underspend is mostly 'real' rather than timing differences. Resource action plan is key to deliver additional capacity to address resourcing challenges in operations and programme activity.

Additionally, recruitment strategies and processes are being reviewed to close this gap to protect operational delivery and create greater resilience in all business activities – this impacts both business as usual and programme related activities.

Recruitment has progressed in programme areas with appointments due in coming months – this will close the future gap but not the delayed spend to date. Further changes to sourcing and recruitment processes is planned to achieve capacity needed to deliver on current delayed activity.

Pay budget underspends are being closely monitored with year to date underspends due to be transferred to central reserves for more realistic monthly budget manager finance reporting and to allow for central control and reallocation of underspending budgets.

Programme activity

| | Budget | Actual | Variance | Variance |
|--|---------------|---------------|-----------------|-----------------|
| | £000 | £000 | £000 | % |
| Research systems | 1538 | 1397 | (140) | (9.1%) |
| Research review | 98 | 85 | (12) | (12.5%) |
| Streamlining data driven research | 92 | 92 | (0) | (0.4%) |
| Make it Public - transparency | 52 | 58 | 6 | 12.1% |
| Supporting our people | 45 | 17 | (28) | (63.1%) |
| Valuing our volunteers | 10 | 5 | (5) | (50.4%) |
| Recover, resilience and growth | 256 | 68 | (188) | (73.5%) |
| Total | 2,090 | 1,722 | (368) | (17.6%) |

Month 4 programme activity is underspent by -£368k. 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 £3,711k, funded by DHSC grant in aid. These funds are intended to be fully allocated in year to fund the strategic and operational business cases supported within the business planning process, including research systems transformation business case (website and CRM), transparency including UK registry and other strategic priorities.

| | |
|---|--------------|
| Strategic reserves – uncommitted | £000 |
| Research systems future contracting capabilities | 2,025 |
| UK registry – funded by EU Exit funding | 794 |
| Contingency/unallocated | 892 |
| Total | 3,711 |

Strategic reserves – uncommitted will be firmed up over the coming months as procurement activity delivers capacity and capabilities, design work is completed on various digital programmes and 3% pay award is committed.

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 2021/22 is £2,765k.

The capital position at month 4 shows break even.

| | Full year | 4 months ended 31 July 2021 | | | |
|-----------------------------|--------------|-----------------------------|------------|----------|-----------|
| | Budget | Budget | Actual | Variance | Variance |
| | £000 | £000 | £000 | £000 | |
| RS transformation programme | 2,565 | 379 | 379 | 0 | 0% |
| IT & estates | 200 | 0 | 0 | 0 | 0% |
| Total | 2,765 | 379 | 379 | 0 | 0% |

Better payments performance

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

For the 4 months to 31 July 2021 the HRA achieved the target by value. The target by number has fallen below the target due to a small number of members expenses payments being rejected and resubmitted.

| | Number | Value (£) |
|------------------------------|--------|-----------|
| Benchmark | 95% | 95% |
| 4 months to July 2021 | 93% | 96% |

Cash performance

The HRA have an annual cash allocation in 2021/22 of £23,018k

The cash balance at the end of July 2021 was £1,796k which is 8% 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 4 months ended 31st July 2021 noting the underspend at month 4 which will be closely monitored and updated in year.

Karen Williams
Deputy Chief Executive and Director of Finance
13 August 2021