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

HRA Board cover sheet

17 November 2021

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| Title of paper: | Finance report – 6 months to 30 September 2021 |
| Submitted by: | Karen Williams |
| Summary of paper: | To enable an informed understanding of our financial performance for the 6 months to 30 September 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"> • 6 months’ financial performance is an underspend of £807k which represents 8.1% of funding allocated with underspend primarily relating to staff vacancies (£569k). • 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. • HRA has indicated to DHSC finance that there will be an underspend on grant in aid activities in 2021/22 of £0.5M. • A reprofiling of research systems transformation is also planned with expectation that some activity will be deferred towards the end of the business case term. Total funding requirement is expected to remain the same. |
| Dissemination: | HRA Board papers are published on the internet |
| Time required: | 15 mins |

HRA Finance Report

6 months to 30 September 2021

Executive summary

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

The HRA revenue expenditure for the 6 months to 30 September 2021 was £7,173k. Revenue expenditure represented an underspend of -£867k, -10.8% (2020/21 -£92k, -1.2%)

Expenditure tracks below expectations due to vacant posts across all business functions which has the potential to impact on performance and programme delivery. Significant progress has been made to address this gap in recent months with staffing levels beginning to increase. Our forecast position has confirmed £500k underspend on core activities (related to pay variances) and £500k underspend on UK registry (related to reduced development requirements in year). DHSC finance has been informed of this confirmed underspend.

Expenditure:

| | Full year | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 |
|---|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Budget £000 | Budget £000 | Actual £000 | Variance £000 | Variance |
| Approvals - Operational | 5,127 | 2,475 | 2,290 | (186) | (7.5%) |
| Approvals - Co-ordination & Guidance | 794 | 390 | 371 | (19) | (4.7%) |
| Approvals - Member Support | 893 | 389 | 356 | (33) | (8.5%) |
| Confidentiality Advisory Service | 330 | 157 | 142 | (14) | (9.0%) |
| Total Services Expenditure | 7,143 | 3,411 | 3,160 | (251) | (7.4%) |
| Chief Exec and Board | 374 | 145 | 133 | (12) | (8.1%) |
| Policy and Partnerships | 1,193 | 574 | 472 | (102) | (17.7%) |
| Governance & Quality | 402 | 191 | 184 | (8) | (4.0%) |
| Training | 442 | 225 | 158 | (67) | (29.7%) |
| Corporate Services | 865 | 403 | 438 | 35 | 8.7% |
| Transformation | 7,105 | 2,797 | 2,407 | (390) | (14.0%) |
| Premises | 713 | 418 | 369 | (49) | (11.7%) |
| IT Services | 567 | 359 | 352 | (7) | (2.0%) |
| Finance, Commercial & Estates | 965 | 485 | 495 | 10 | 2.0% |
| Pension Adjustment | 539 | 214 | 269 | 55 | 25.7% |
| Reserves | 1,767 | 0 | (21) | (21) | 0.0% |
| Depreciation | 1,408 | 782 | 782 | (0) | 0.0% |
| Total Expenditure | 24,483 | 10,004 | 9,198 | (807) | (8.1%) |

Month 6 expenditure is underspent by -£807k due primarily to vacant posts across all business activities particularly, approvals operations, policy and partnerships, research systems and recovery, 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 at the beginning of the year resulting in this underspend. This has resulted in £0.5M confirmed underspend with DHSC finance team on core activities. The impact of this under-capacity on service delivery and transformation programmes is being established to help design and implement plans to address.

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. Detailed delivery plan development. Profile of development being rephased to ensure successful delivery. | 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 Detailed options appraisal being developed including refined approach to delivery 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: 6 months to 30 September 2021

| Function | Budget | Actual | Variance |
|---|--------------|--------------|--------------|
| | YTD | YTD | YTD |
| | £000 | £000 | £000 |
| Approvals - Operational | 2,448 | 2,282 | (166) |
| Approvals Co-ordination & guidance | 387 | 370 | (16) |
| Approvals - Member Support | 242 | 236 | (5) |
| Confidentiality Advisory Service | 149 | 138 | (11) |
| Training | 113 | 88 | (24) |
| Total services pay costs | 3,338 | 3,115 | (223) |
| Chief Executive and Board | 143 | 131 | (12) |
| Corporate services | 367 | 357 | (10) |
| Transformation | 1,539 | 1,225 | (313) |
| Finance and procurement | 381 | 395 | 14 |
| IT infrastructure | 62 | 65 | 2 |
| Governance (incl. Quality) | 187 | 179 | (7) |
| Policy and partnerships | 516 | 441 | (75) |
| Central pension adjustment | 214 | 269 | 55 |
| Total pay costs | 6,747 | 6,178 | (569) |

Total pay budget is underspent in month 6 by -£569k. Some of this underspend is offset by services costs (non-pay) which have been secured to provide capacity and capabilities required by our transformation portfolio (for example, exit management service and GDS assessment). Additional roles to support operational delivery and transformation activities have been recruited. The gap between planned and actual resources is anticipated to close as a result. Resource action planning continues to be a key focus for Executive Committee to deliver additional capacity to address resourcing requirements in operations and programme activity.

Resourcing planning strategies are being developed for 2022/23 to ensure this issue doesn't reoccur. These include increasing our vacancy rate in planning (within tolerable risk) to ensure sufficient workforce is in place to deliver on planned activities. Current vacancy rate of 3% is insufficient based on turnover data, workforce pressures in the external environment and timelines to recruit.

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

Programme activity

| | Budget £000 | Actual £000 | Variance £000 | Variance % |
|--|------------------------|------------------------|--------------------------|-----------------------|
| Research systems | 1799 | 1791 | (8) | (0.5%) |
| Research review | 139 | 121 | (18) | (13.2%) |
| Streamlining data driven research | 195 | 195 | 0 | 0.2% |
| Make it Public - transparency | 162 | 113 | (49) | (30.2%) |
| Supporting our people | 64 | 29 | (35) | (55.3%) |
| Valuing our volunteers | 14 | 10 | (5) | (33.3%) |
| Recovery, resilience and growth | 423 | 148 | (275) | (65.0%) |
| Total | 2,797 | 2,407 | (390) | (14.0%) |

Month 6 programme activity is underspent by -£390k, consistent with month 5 underspend demonstrating resourcing and activity is now at planned levels. Historic pay underspend £500k is forecast to remain and has been confirmed as an underspend to DHSC finance team.

Reserves:

Our financial plan set the strategic reserves limit for 2021/22 at £3,711k, funded by DHSC grant in aid. The value of uncommitted reserves at month 6 is £3,009k. A significant element of this relates to the research systems programme. An options appraisal is currently being developed which will include a proposal to reprofile the development with an associated reprofiling of the financial requirements. It is expected that the total cost of the programme will remain within the business case funding envelope with activity being rephased across the period, reducing the planned activity in this year.

The other major component of uncommitted reserves is £794k UK registry funding. We have confirmed with DHSC that £500k of this remaining balance will not be required by the HRA in 2021/22. Again, this links to the rephasing of the research systems transformation programme. Plans to develop further the registry digital offering are currently anticipated in 23/24.

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|---|--------------|
| Strategic reserves – uncommitted | £000 |
| Research systems future contracting capabilities | 2,025 |
| UK registry – funded by EU Exit funding | 794 |
| Contingency/unallocated | 190 |
| Total | 3,009 |

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 6 shows break even although an underspend is anticipated due to reprofiling of the research system transformation programme which will be updated and reported in future months.

| | Full year | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 | 6 months ended 30 Sept 2021 |
|------------------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Budget £000 | Budget £000 | Actual £000 | Variance £000 | Variance |
| RS transformation programme | 2,565 | 630 | 554 | 76 | 12% |
| IT & estates | 200 | 0 | 0 | 0 | 0% |
| Total | 2,765 | 630 | 554 | 76 | 12% |

Better payments performance

The HRA have a duty to pay 95% of invoices in 30 days. For the 6 months to 30 September 2021 the HRA achieved the target by number and value.

| | Number | Value (£) |
|-----------------------------------|--------|-----------|
| Benchmark | 95% | 95% |
| 6 months to September 2021 | 95% | 97% |

Cash performance

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

The cash balance at the end of September 2021 was £2,330k which is 10% of the annual cash allocation.

Recommendations

The Board are asked to review and approve the finance report for the 6 months ended 30 September 2021 noting the underspend at month 6 which will be closely monitored and updated in year.

Karen Williams
Deputy Chief Executive and Director of Finance
7 November 2021