

<b>Agenda item:</b>	7
<b>Attachment:</b>	B

## HRA Board cover sheet

19 January 2022

<b>Title of paper:</b>	Finance report – 8 months to 30 November 2021
<b>Submitted by:</b>	Karen Williams
<b>Summary of paper:</b>	To enable an informed understanding of our financial performance for the 8 months to 30 November 2021 of 2021/22 financial year in line with the HRA’s standing financial instructions and scheme of delegation.
<b>Reason for submission:</b>	For approval
<b>Further information:</b>	<p>Main points to note:</p> <ul style="list-style-type: none"> <li>• 8 months’ financial performance is resulted in an underspend of £1,261K which represents 9.5% of funding allocated. The underspend is primarily relating to staff vacancies (£810K).</li> <li>• HRA has indicated to DHSC finance that there will be an underspend on all activities of £2M (resulting from successful procurement achieving greater efficiencies than expected £1.2M, workforce pressures £0.6M and continuing homeworking £0.2M).</li> <li>• Capital funding allocation is £2,765K (2020/21: £700k) associated predominantly with the research systems transformation business case. Again, HRA have indicated to DHSC finance that research systems transformation capital funding needs to be reprofiled with £0.8M falling in future years.</li> <li>• Outcome of comprehensive spending review has yet to be confirmed to HRA. A submission from DHSC for more information is expected in the New Year.</li> <li>• Cash balances represent 7% of annual cash funding.</li> </ul>
<b>Dissemination:</b>	HRA Board papers are published on the internet
<b>Time required:</b>	15 mins

# HRA Finance Report

## 8 months to 30 November 2021

### Executive summary

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

The HRA revenue expenditure for the 8 months to 30 November 2021 was £11,952k. Revenue expenditure represented an underspend of -£1,261k, -9.5% (2020/21 -£165k, -1.7%)

Expenditure continues to track below expectations due to vacant posts across all business functions (continuing operations and programme activities). Reduced capacity is impacting on the pace of programme delivery. Operational performance metrics have been maintained but at the cost of programme and continuous improvement activities.

Whilst significant progress has been made to address this capacity gap in recent months with staffing levels increasing the sustained impact of vacancies has slowed our progress.

Our forecast position has confirmed £2M underspend on all activities (from successful procurements releasing efficiencies of £1.2M, as well as pay variances £0.6M and savings arising from continued home working £0.2M). Also, £1.2M funding has been reprofiled to future years associated with our research systems programme. DHSC finance has been informed of our forecast position.

£0.2M additional non-cash revenue funding has been requested to fund increased amortisation costs associated with the research systems programme.

### Revenue:

	Confirmed Funding £000	Not required £000	Reprofiled £000	Additional Funding £000	Revised Funding £000
DHSC grant in aid	14,393	(500)	-	-	13,893
DHSC research systems	3,987	-	(706)	-	3,281
DHSC Fasttrack, RRG* & FRF*	1,090	-	-	-	1,090
DHSC registry	1,000	(500)	-	-	500
NHSX AI Lab funding	2,256	(1,000)	(500)	-	756
DHSC depreciation funding	1,408	-	-	200	1,608
Devolved nations	349	-	-	-	349
<b>Total</b>	<b>24,483</b>	<b>(2,000)</b>	<b>(1,206)</b>	<b>200</b>	<b>21,477</b>

\*RRG: recovery, resilience and growth programme

\*FRF: find, recruit and follow up programme

## Expenditure:

	Full year	8 months ended 30 November 2021	8 months ended 30 November 2021	8 months ended 30 November 2021	8 months ended 30 November 2021
	Budget £000	Budget £000	Actual £000	Variance £000	Variance
Approvals - Operational	5,127	3,332	3,072	(260)	(7.8%)
Approvals - Co-ordination & Guidance	809	528	506	(21)	(4.0%)
Approvals - Member Support	893	557	453	(104)	(18.7%)
Confidentiality Advisory Service	330	214	198	(17)	(7.8%)
<b>Total Services Expenditure</b>	<b>7,159</b>	<b>4,631</b>	<b>4,229</b>	<b>(402)</b>	<b>(8.7%)</b>
Chief Exec and Board	374	220	206	(14)	(6.3%)
Policy and Partnerships	1,193	775	645	(131)	(16.9%)
Governance & Quality	411	257	249	(8)	(3.1%)
Training	442	288	227	(61)	(21.2%)
Corporate Services	940	562	565	2	0.4%
Transformation	6,600	3,802	3,336	(466)	(12.3%)
Premises	713	446	340	(106)	(23.8%)
IT Services	567	422	385	(36)	(8.6%)
Finance, Commercial & Estates	1,080	701	631	(70)	(10.0%)
Reserves	1,596	326	358	32	0.0%
Depreciation	1,408	782	782	(0)	0.0%
<b>Total Expenditure</b>	<b>22,483</b>	<b>13,213</b>	<b>11,952</b>	<b>(1,261)</b>	<b>(9.5%)</b>

Month 8 expenditure is underspent by -£1,261k due to vacancies across all business activities particularly, approvals operations £207k, policy and partnerships £83k, and transformation activities £390k. Steps have been taken to address this with good results in many areas, reflected by a growth in staff numbers of 26% (57) in the 12 months to 30 September 2021.

Despite this growth, more capacity is needed to deliver on our extensive improvement programmes. The continuing tough external environment market has meant some sourcing strategies have not resulted in securing the necessary skills and capabilities required. Alternative routes to market are being considered as well as a review of our recruitment end to end process. Future financial planning will be adjusted to reflect higher expected vacancy levels with a possible corresponding increase in establishment roles to create sufficient capacity to deliver our strategic objectives.

Other underspends include travel / meeting costs which had been planned to increase in the second half of the year and have now been deferred in response to the continued pandemic response along with lower property costs arising from significant staff working from home.

## 2021/22: financial risks:

Risk	Likelihood	Impact	Score	Mitigation	Net risk
Uncertainty around comprehensive spending review outcome risks delaying planning decisions and mobilisation.	4	3	12	Scenario planning built into 2022/23 planning process. Refreshed strategy to support prioritisation CSR funded activity dependent on funding	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 RS options paper agreed by RS Board and procurement for services in progress. 2022/23 planning focusing on scarce resource management	12
Continued underspend on 2021/22 plans creates unmanageable pressure on existing resources to deliver on extensive work programme	4	3	12	Processes refined to reduce approval timelines / complexity. Review of recruitment process Executive Committee monitoring workforce gaps	8

## Staff costs: 8 months to 30 November 2021

Function	Budget YTD £000	Actual YTD £000	Variance YTD £000	Variance YTD %
Approvals - Operational	3,264	3,058	(207)	(6.3%)
Approvals Co-ordination & guidance	519	503	(16)	(3.1%)
Approvals - Member Support	322	313	(9)	(2.8%)
Confidentiality Advisory Service	199	189	(10)	(4.9%)
Training	150	123	(27)	(18.0%)
<b>Total services pay costs</b>	<b>4,454</b>	<b>4,186</b>	<b>(268)</b>	<b>(6.0%)</b>
Chief Executive and Board	215	209	(7)	(3.2%)
Corporate services	490	477	(12)	(2.5%)
Transformation	2,232	1,842	(390)	(17.5%)
Finance and procurement	564	503	(61)	(10.9%)
IT infrastructure	83	86	3	3.7%
Governance (incl. Quality)	249	240	(9)	(3.5%)
Policy and partnerships	688	604	(83)	(12.1%)
Central pension adjustment	360	378	19	5.2%
<b>Total pay costs</b>	<b>9,335</b>	<b>8,525</b>	<b>(810)</b>	<b>(8.7%)</b>

Total pay budget is underspent in month 8 by -£810k. 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).

Resourcing planning strategies are being developed for 2022/23 to ensure this situation doesn't reoccur. These include increasing our vacancy rate in planning (within tolerable risk), streamlining our recruitment processes and utilising contingent labour where strategically viable 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.

## Programme activity

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Research systems	2,435	2,395	(40)	(1.7%)
Research review	186	161	(25)	(13.5%)
Streamlining data driven research	259	259	(0)	(0.0%)
Make it Public - transparency	239	195	(44)	(18.6%)
Supporting our people	90	44	(46)	(51.2%)
Valuing our volunteers	19	13	(6)	(30.4%)
Recovery, resilience and growth	574	269	(305)	(53.1%)
<b>Total</b>	<b>3,802</b>	<b>3,336</b>	<b>(466)</b>	<b>(12.3%)</b>

Month 8 programme activity is underspent by -£466k, a small increase on October due to some slippage in Research Systems and Recovery, Resilience and Growth.

## 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 8 is £1,803k. A significant element of this relates to the research systems programme and associated programme refresh. Although the total cost of the programme is expected to remain within the business case funding envelope, planned activity for this year is expected to be rephased across the business case period, reducing the planned activity this year and funds required.

<b>Strategic reserves – uncommitted</b>	<b>£000</b>
Research systems programme	2,025
UK registry – funded by EU Exit funding	294
Contingency/unallocated	190
<b>Total</b>	<b>2,509</b>
Less reprofiled research systems	(706)
<b>Revised total</b>	<b>1,803</b>

## 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 8 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.

	<b>Full year Budget £000</b>	<b>8 months ended 30 November 2021</b>	<b>8 months ended 30 November 2021</b>	<b>8 months ended 30 November 2021</b>	<b>8 months ended 30 November 2021</b>
	<b>Budget £000</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Variance</b>
RS transformation programme	2,565	875	692	(183)	21%
IT & estates	200	0	0	0	0%
<b>Total</b>	<b>2,765</b>	<b>875</b>	<b>692</b>	<b>(183)</b>	<b>12%</b>

## Better payments performance

The HRA have a duty to pay 95% of invoices in 30 days. For the 8 months to 30 November 2021 the HRA achieved the target by number and value.

	<b>Number</b>	<b>Value (£)</b>
Benchmark	95%	95%
8 months to November 2021	95%	98%

## Cash performance

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

The cash balance at the end of November 2021 was £1,530k which is 7% of the annual cash allocation.

## Recommendations

The Executive Committee are asked to review and approve the finance report for the 8 months ended 30 November 2021 noting the underspend at month 8 which will be closely monitored and updated in year.

**Karen Williams**  
**Deputy Chief Executive and Director of Finance**  
**22 December 2021**