

Agenda item:	7
Attachment:	B

Executive Committee cover sheet

16 February 2022

Title of paper:	Finance report – 10 months to 31 January 2022
Submitted by:	Karen Williams
Summary of paper:	To enable an informed understanding of our financial performance for the 10 months to 31 January 2022 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"> • 10 months' financial performance is an underspend of £1,653k which represents 9.7% of funding allocated with underspend primarily relating to staff vacancies (£971k). • HRA has indicated to DHSC finance that there will be an underspend on all activities of £2.4M (resulting from successful procurement achieving greater efficiencies than expected £1.2M, £0.5M deferral of technological solution for UK registry, workforce pressures £0.6M and continuing homeworking £0.1M). • 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 £1.0M falling in future years. • Comprehensive spending review January commission has been responded to. Confirmation of funding expected during w/c 14 March 22. This delay has had an impact on business and financial planning for 2022/23.
Dissemination:	HRA Board papers are published on the internet
Time required:	15 mins

HRA Finance Report

10 months to 31 January 2022

Executive summary

The HRA annual budget for 2021/22 has been approved and set at £24,483k (2020/21: £18,728k)

The HRA revenue expenditure for the 10 months to 31 January 2022 was £15,325k (2020/21: £12,448k). Revenue expenditure represented an underspend of -£1,653k, -9.7% (2020/21 - £332k, -2.6%)

Investment in the HRA's research systems transformation required a significant growth this year to provide the necessary capacity and capabilities to deliver this programme alongside our streamlining data driven technology programme and multiple other change activities. The HRA has grown its people by 26% year on year and total expenditure by 23%. Whilst this is substantial growth, our plans were more than this resulting in an underspend in year. Key contributing factors are the scale of this increase, tough external recruitment market and strong competition for specialist roles (particularly in digital and programme). Our vacancy rate has reduced each month as roles are filled or services secured to provide the necessary skills to deliver our business plan. Reduced capacity has impacted on the pace of programme delivery although key milestones have been met such as the launch of combined review for all CTIMPs. Operational performance metrics have been maintained but at the cost of the pace of change.

Our forecast position has confirmed £2.4M underspend on all activities (from successful procurements releasing efficiencies of £1.2M, £0.5M deferral of technological solution for UK registry as well as pay variances £0.6M and savings arising from continued home working £0.1M). Also, £1.2M funding has been reprofiled to future years associated with our digital programmes.

£0.2M additional non-cash revenue funding has been requested to fund increased amortisation costs associated with the research systems programme £1,608k.

Revenue:

	Confirmed funding	Not required	Revised funding
	£000	£000	£000
DHSC grant in aid	14,393	(500)	13,893
DHSC research systems	3,987	-	3,987
DHSC Fasttrack, RRG* & FRF*	1,090	(217)	873
DHSC registry	1,000	(500)	500
NHSX AI Lab funding	2,256	(1,187)	1,069
DHSC depreciation funding	1,408	-	1,408
Devolved nations	349	-	349
Total	24,483	(2,404)	22,079

*RRG: recovery, resilience and growth programme

*FRF: find, recruit and follow up programme

Expenditure:

	Full year	10 months ended 31 Jan 2022	10 months ended 31 Jan 2022	10 months ended 31 Jan 2022	10 months ended 31 Jan 2022
	Budget £000	Budget £000	Actual £000	Variance £000	Variance
Approvals - Operational	5,127	4,189	3,820	(369)	(8.8%)
Approvals - Co-ordination & Guidance	809	669	610	(58)	(8.7%)
Approvals - Member Support	891	723	566	(158)	(21.8%)
Confidentiality Advisory Service	330	271	250	(22)	(8.0%)
Total Services Expenditure	7,157	5,242	4,744	(498)	(9.5%)
Chief Exec and Board	383	283	274	(9)	(3.1%)
Policy and Partnerships	1,193	976	822	(153)	(15.7%)
Governance (inc. Quality)	411	328	310	(18)	(5.4%)
Training	442	359	279	(81)	(22.4%)
Corporate Services	940	732	721	(11)	(1.5%)
Transformation	6,397	4,847	4,299	(548)	(11.3%)
Premises	713	587	465	(122)	(20.8%)
IT Services	567	494	448	(46)	(9.4%)
Finance, Commercial & Estates	1,093	871	819	(52)	(6.0%)
Reserves	540	450	447	(3)	(0.8%)
Depreciation	564	0	(3)	(3)	0.0%
Total Expenditure	22,079	16,978	15,325	(1,653)	(9.7%)
Surplus /Deficit	0	0	0	0	

Month 10 expenditure is underspent by £1,653k (9.7%). This is primarily due to not meeting our ambitious plan to increase our capacity this year which has been hampered by a challenging external marketplace, resulting in staff costs being underspent £971k (8.2%). Multiple strategies have been implemented to address this with some good results (staff numbers have grown by 26% (58) in the 12 months to 31 December 2021) and commercial strategies implemented to source specialist capabilities such as digital programme skills through government frameworks. Despite these strategies, tough recruitment conditions as well as strong competition for specialist roles, for example, digital, user design and programme roles have meant we have had higher vacancy rate than planned. Not surprisingly, our digital transformation portfolio has been particularly affected with £430k underspend (14.4%) on staff alone.

The research systems strategic refresh exercise includes a review of our delivery model to ensure the programme delivers on its objectives in the agreed timeframe. We have agreed with DHSC finance that our research systems programme funding requirement has been deferred to later years with the underspend in this year reprofiled to 2023/24. We have also reflected on the lessons learned in 2021/22 to inform future financial planning to ensure momentum is not lost on our strategic programmes and at an operational level. This includes

planning for higher vacancy levels with a 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	6
The HRA unable to deliver in year on business plan due to resourcing challenges	3	4	12	Backfill built into programme resourcing plan Strategic reset in programme. Mitigations implemented	9
Accounting for the intangible research systems asset needs to reflect strategic refresh and might result in a change in value.	2	3	6	Accounting estimate and rationale based on organisational knowledge and regular updates from programme. Approach reviewed by commercial and finance group 6 monthly.	6

Staff costs: 10 months to 31 January 2022

Function	Budget	Actual	Variance
	YTD	YTD	YTD
	£000	£000	£000
Approvals – Operational	4,080	3,801	(279)
Approvals Co-ordination & guidance	654	620	(34)
Approvals - Member Support	403	390	(13)
Confidentiality Advisory Service	249	240	(9)
Training	188	158	(29)
Total services pay costs	5,573	5,209	(364)
Chief Executive and Board	276	275	(1)
Corporate services	612	589	(23)
Transformation	2,980	2,550	(430)
Finance and procurement	697	628	(69)
IT infrastructure	104	107	4
Governance (incl. Quality)	316	301	(15)

Policy and partnerships	860	771	(88)
Central pension adjustment	450	464	14
Total pay costs	11,867	10,895	(971)

Total pay budget is underspent in month 9 by -£971k (-8.2%). 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 commercial service and Government Digital Service assessment).

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. Our current vacancy rate of 3% is insufficient based on turnover data, workforce pressures in the external environment and timelines to recruit.

Programme activity

	Budget £000	Actual £000	Variance £000	Variance %
Research systems	3099	2963	(136)	(4.4%)
Research review	232	214	(18)	(7.7%)
Streamlining data driven research	366	366	0	0.0%
Make it Public - transparency	316	263	(53)	(16.7%)
Supporting our people	111	70	(41)	(37.1%)
Valuing our volunteers	24	18	(6)	(25.4%)
Recovery, resilience and growth	698	404	(294)	(42.1%)
Total	4,847	4,299	(548)	(11.3%)

Month 10 programme activity is underspent by -£548k which represents 9.1% of budget. The majority of this underspend relates to vacancies -£430k. This underspend will not reoccur at such high levels as many of the posts have now been filled in order to support our many change activities and create capacity in core infrastructure roles.

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.

Our forecast position on capital is £1,725k. This is due to the research systems transformation being reprofiled in year as previously described.

	Full year Budget £000	10 months ended 31 January 2022 Budget £000	10 months ended 31 January 2022 Actual £000	10 months ended 31 January 2022 Variance £000	10 months ended 31 January 2022 Variance %
RS transformation programme	2,565	1,139	918	(221)	-19%
IT & estates	200	45	45	0	0%
Total	2,765	1,184	963	(221)	-19%

Better payments performance

The HRA have a duty to pay 95% of invoices in 30 days. For the 10 months to 31 January, the HRA achieved the target by number and value.

	Number	Value (£)
Benchmark	95%	95%
10 months to January 2022	96%	98%

Cash performance

The HRA have an annual cash allocation in 2021/22 of £23,087k

The cash balance at the end of January 2022 was £1,018k which is 4% of the annual cash allocation.

Recommendations

The HRA Board are asked to review and approve the finance report for the 10 months ended 31 January 2022 noting the underspend at month 10 which will be closely monitored and updated in year.

Karen Williams
Deputy Chief Executive and Director of Finance