

Agenda item:	7
Attachment:	B

HRA Board cover sheet

20 September 2023

Title of paper:	Finance report – 3 months to 30 June 2023
Submitted by:	Matt Balding, Deputy Director Finance and Estates
Summary of paper:	To enable an informed understanding of our financial performance for the 3 months to 30 June of the 2023/24 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"> • YTD net expenditure is £4.8m against a plan of £5.5m. • Forecast 2023/24 non-ringfenced RDEL is £20m against funding of £19.1m. This leaves a forecasted funding gap of £0.8m for the HRA to fill. • Forecast 2023/24 capital expenditure is £2.3m against funding of £2.8m. • The HRA's cash balance on 30th June is £3.6m, whilst the forecast cash balance at 31st March 2024 is £6.6m. • Tight control of vacancies and establishment costs will be necessary to help manage cost increases such as the 2023/24 pay award and wider inflationary pressures.
Dissemination:	<i>HRA Board papers are available on HRA website</i>
Time required:	5 mins

HRA Finance Report

3 months to 30 June 2023

Executive summary

The HRA has expected revenue funding of £21,355k for 2023/24. This consists of:

£18,517k DHSC grant in aid funding (including revenue funding for RSP);

£221k NHS AI Lab funding;

£396k funding from devolved nations; and

£12k of other income.

Forecast revenue spend for 2023/24 is £22,031k, £676k (3%) above expected revenue funding. This forecast assumes that the HRA does not receive any funding from central government to manage cost increases such as the 2023/24 pay award estimated at £697k and wider inflationary pressures. It also assumes that only £192k of the HRA's £784k vacancy factor is met in year.

Our financial reporting focuses on forecast closing positions for the year and less on in-month expenditure. The aim of this is to produce more valuable insight throughout the year to inform strategic and operational decisions. This process encourages budget holders to consider the full year's activities and so reduce the chance of unexpected movements at year end. This helps inform strategic investment decisions in year, to maximise benefits for patients and the public.

Tight vacancy and establishment control is necessary to ensure we can manage significant cost increases due to the 2023/24 pay award and wider inflationary pressures.

Pay arrears relating to the agreed 2023/24 pay award were made in June for staff on agenda for change terms. Full costs of this pay award are reflected in our forecast position. The tension between organisational capacity to deliver our statutory functions and change portfolio and meeting vacancy factor / pay award continues to be monitored closely by Executive Committee.

Revenue:

The HRA's initial revenue funding for 2023/24 is £21,355k, of which £19,146k is cash funding and £2,209k is non-cash funding. The table below provides a breakdown:

Health Research Authority	Cash Revenue Funding £'000	Non-Cash Revenue Funding £'000	Total Revenue Funding £'000
DHSC Revenue Funding	18,517	2,209	20,726
NHS AI Lab	221	0	221
Devolved Nations	396	0	396
Other cost sharing	12	0	12
Total 2023/24 Revenue Funding	19,146	2,209	21,355

Government funded revenue expenditure:

The table below provides an overview of actual expenditure to date against year-to-date expenditure budgets and forecast expenditure for the full year compared to annual budgets.

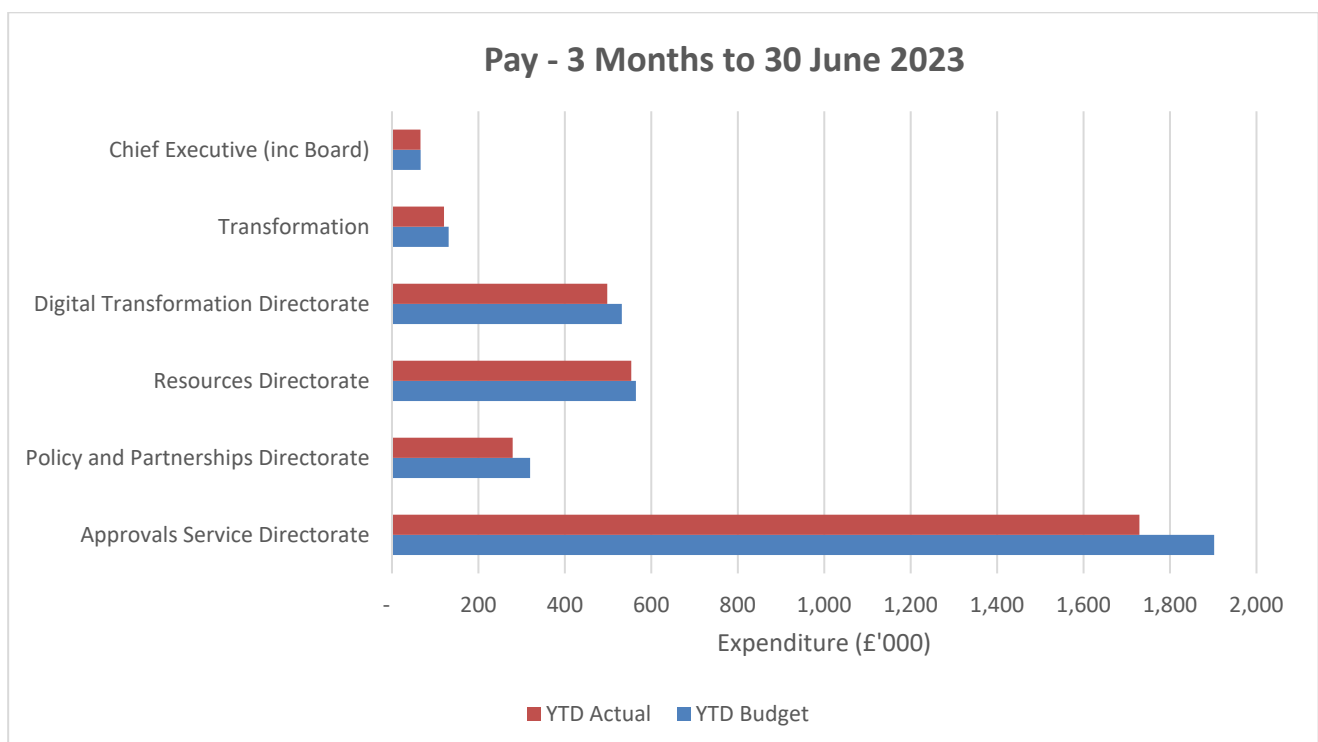
Forecasts are revised each month in line with service lead expectations of activity.

	YTD M3				Forecast			
	Plan	Actual	Variance	Variance	Plan	Y/E Forecast	Variance	Variance
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Approvals Service Directorate	2,042	1,820	222	11%	8,124	7,844	280	3%
Policy and Partnerships Directorate	337	295	42	12%	1,411	1,352	58	4%
Resources Directorate	1,740	1,424	316	18%	6,689	5,591	1,098	16%
Digital Transformation Directorate	1,289	988	301	23%	5,480	5,866	(386)	(7%)
Transformation	135	124	11	8%	596	568	28	5%
Chief Executive (inc Board)	68	68	(1)	(1%)	295	294	1	0%
Centralised Costs	157	129	28	18%	284	707	(423)	(149%)
Vacancy Factor	(196)	0	(196)	100%	(784)	(192)	(593)	76%
Non Pay Budget Reserves	(120)	0	(120)	100%	(138)	0	(138)	100%
Total	5,451	4,848	603	11%	21,957	22,031	(74)	(0%)

Year-to-date revenue expenditure at 30th June is £4,848k, £603k (11%) lower than plan.

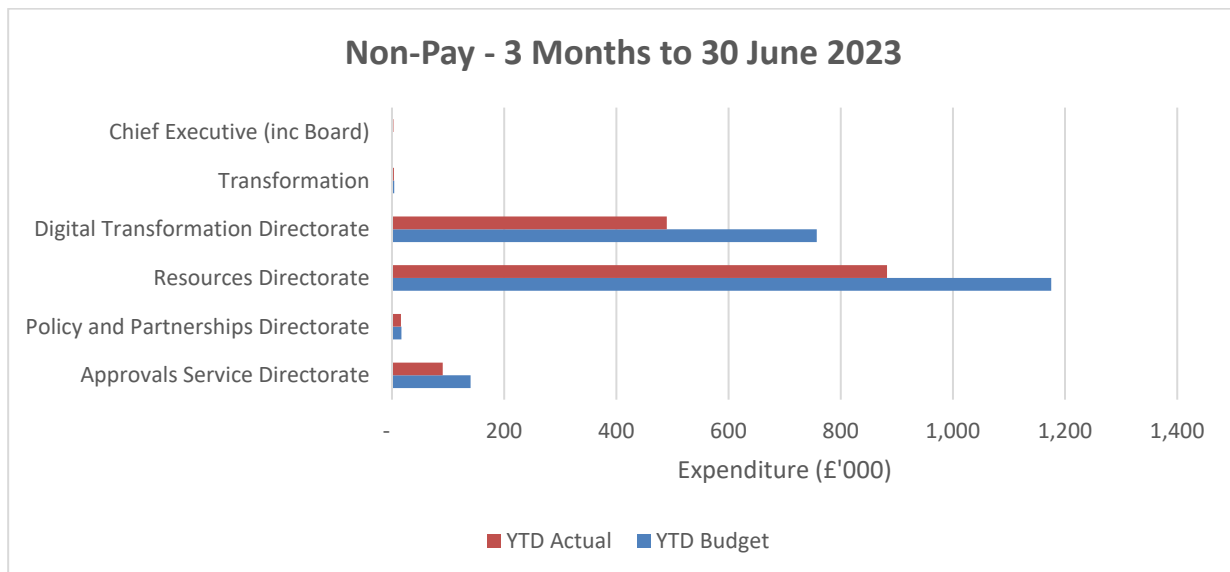
Forecast revenue spend for 2023/24 is £22,031k, some £74k (0.4%) higher than plan. This forecast assumes that the HRA does not receive any funding from central government to manage cost increases such as the 2023/24 pay award estimated at £697k and wider inflationary pressures. It also assumes that the planned 5% vacancy factor with a value of £784k is only partially met in year.

Of Which Pay Activity: 3 months to 30 June 2023



Year to date pay spend is £3,375k, £101k (3%) lower than plan. This includes costs relating to the 2023/24 pay award. Vacancy factor was set at 5% this year to reflect historic trends and has a year to date value of £196k.

Of Which Non-Pay Activity: 3 months to 30 June 2023



Year to date non-pay spend is £1,485k, £490k (25%) below plan. This underspend is not expected to continue, as annual invoices for software licences and services are expected to be received in July and August.

Capital expenditure

Our capital allocation for 2023/24 is £2,800k. Most of this is funding for the capital element of the Research Systems programme, whilst the remainder covers core infrastructure capital expenditure (estates and digital infrastructure).

Year to date capital expenditure incurred at 30 June 2023 is £0k as no capital activities have taken place on the Research Systems programme over quarter 1. Our forecast position on capital is £2,333k, and assumes that construction of the future IRAS system commences later in 2023/24, once the delivery partner joins the programme.

Better Payments Practice Code (BPPC) performance

The HRA have a duty to pay 95% of invoices in 30 days. For the 3 months to 30 June the HRA achieved both the target by value (97%), and by number (95%).

	Month 3	Target	Over/(Under) Target	2022/23
	%	%	%	%
Number of invoices paid within 30 days	95%	95%	0%	94%
Value of invoices paid within 30 days	97%	95%	2%	98%

Cash performance

The HRA have an annual cash allocation in 2023/24 of £21,317k. The cash balance at the end of June 2023 was £3,642k, which is 17% of the annual cash allocation.

The forecast year end cash balance is £6,556k, which is 31% of the annual cash allocation and a £2,914k increase on the cash balance at 30 June. This increase is due to an anticipated increase in liabilities at year end, including those relating to expenditure on RSP.

Reserve Commitments

At 30 June 2023, no reserve funding has been allocated to expected cost pressures arising or for other commitments.

Recommendations

The HRA Board are asked to review and approve the finance report for the 3 months ended 30 June 2023.

Matt Balding

Deputy Director Finance and Estates