

Agenda item:	9
Attachment:	B

HRA Board cover sheet

20 March 2024

Title of paper:	Finance report – 9 months to 31 December 2023
Submitted by:	Matt Balding, Deputy Director Finance and Estates
Summary of paper:	To enable an informed understanding of our financial performance for the 9 months to 31 December 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"> • Year to date revenue expenditure is £13.3m against a plan of £14.7m (£1.4m underspend, (10%)). • Forecast 2023/24 non-ringfenced revenue expenditure is £18.1m against funding of £18.9m (£0.8m underspend, (4%)). • Forecast 2023/24 capital expenditure is £1.6m against funding of £2.0m (£0.4m underspend, (20%)). • Forecast and planned capital expenditure includes the deferral of £1.5m capital expenditure related to Research Systems Programme (RSP) pause agreed with DHSC as part of the ALB Reform and Efficiency review. • The HRA's cash balance on 31st December is £2.1m, whilst the forecast cash balance at 31st March 2024 is £4.8m. • DHSC have confirmed £0.7m non-recurrent revenue funding to cover the additional costs of the 2023/24 pay award. This is included in the figures above.
Dissemination:	<i>HRA Board papers are available on HRA website</i>
Time required:	5 mins

HRA Finance Report

9 months to 31 December 2023

Executive summary

The HRA has expected revenue funding of £21,021k for 2023/24. This consists of:

- £18,573k Department of Health and Social Care (DHSC) grant in aid funding;
- £221k NHS AI Lab funding;
- £88k seed funding to begin to implement the recommendations of the Lord O'Shaughnessy Review;
- £1,236k funding to cover depreciation and amortisation charges.

Forecast revenue spend for 2023/24 is £18,821k, £1,979k (10%) below expected revenue funding. This forecast includes £700k non-recurrent funding awarded in September by DHSC to cover the cost of the 2023/24 pay award estimated at £697k but does not cover funding for other inflationary pressures.

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 wider inflationary pressures.

Revenue:

The HRA's expected revenue funding for 2023/24 is £21,021k, of which £18,882k is cash funding and £2,139k is non-cash funding. The table below provides a breakdown:

Health Research Authority	NRF Admin £'000	RF Admin £'000	Programme £'000	Total Rev Funding £'000
DHSC Revenue Funding	18,573	2,139	0	20,712
NHS AI Lab	221	0	0	221
O'Shaughnessy Seed Funding	88	0	0	88
Total 2023/24 Revenue Funding	18,882	2,139	0	20,021

Government funded revenue expenditure:

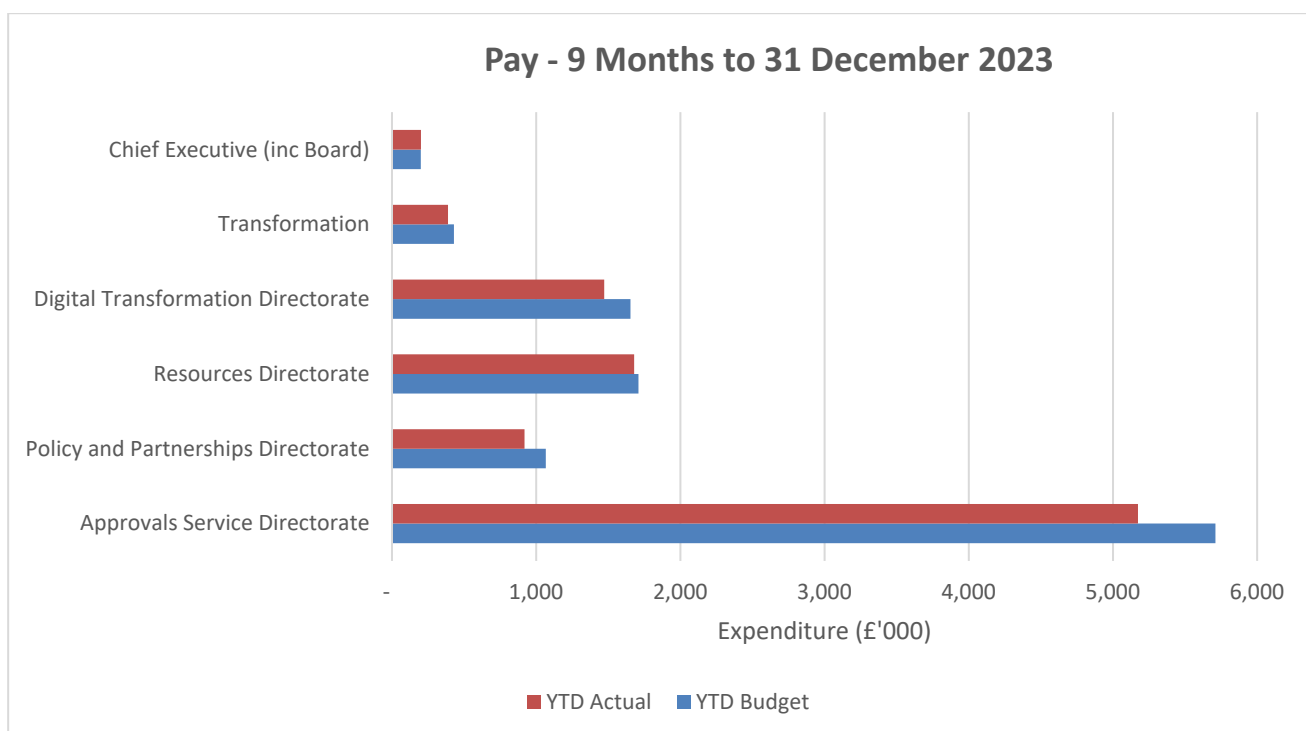
The table below provides an overview of actual expenditure to date against year-to-date (YTD) expenditure budgets and forecast expenditure for the full year compared to annual budgets.

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

	YTD M9				Full Year			
	Plan £'000	Actual £'000	Variance £'000	Variance %	Plan £'000	Forecast £'000	Variance £'000	Variance %
Approvals Service Directorate	6,074	5,552	522	9%	8,130	7,548	582	7%
Policy and Partnerships Directorate	1,120	1,005	115	10%	1,530	1,404	126	8%
Resources Directorate	2,800	2,644	156	6%	3,945	3,808	137	3%
Digital Transformation Directorate	2,786	2,978	(192)	(7%)	5,480	4,419	1,062	19%
Transformation	442	410	32	7%	596	570	26	4%
Chief Executive (inc Board)	226	220	6	3%	298	292	6	2%
Centralised Costs	1,825	506	1,825	100%	2,433	781	1,653	68%
Vacancy Factor	(588)	0	(588)	100%	(784)	0	(784)	100%
Total	14,685	13,314	1,877	13%	21,628	18,821	2,807	13%

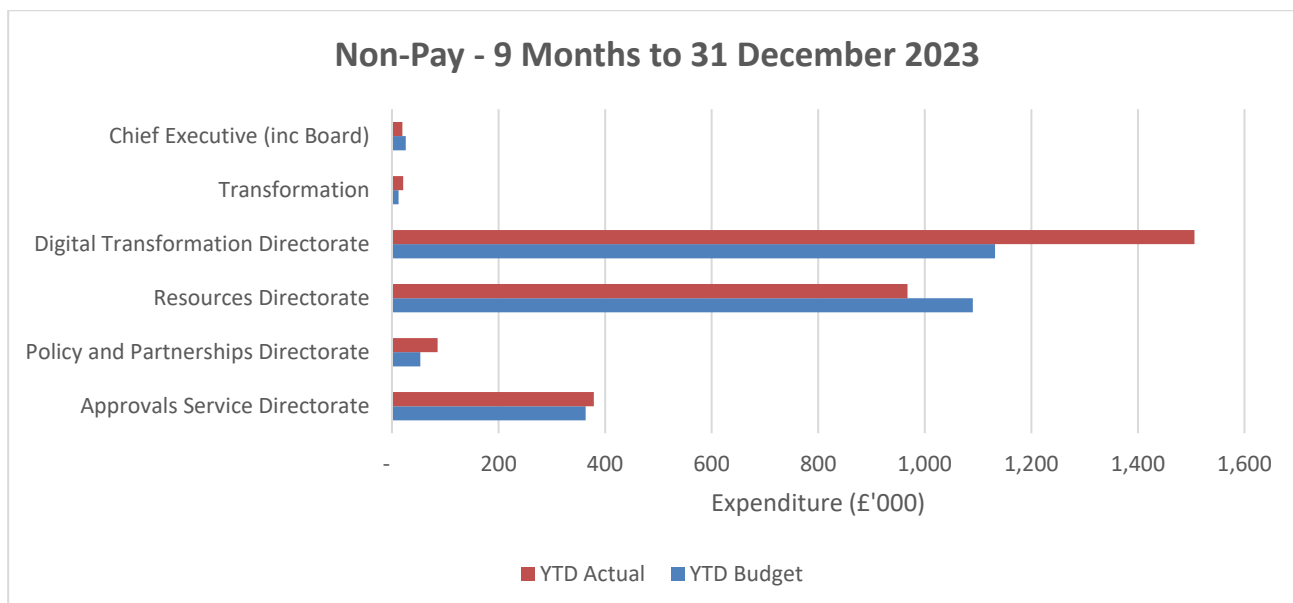
Year-to-date revenue expenditure at 31st December is £13,314k, £1,877k (13%) lower than plan. Forecast revenue spend for 2023/24 is £18,821k, some £2,807k (13%) lower than plan.

Of Which Pay Activity: 9 months to 31 December 2023



Year to date pay spend is £10,245k, £408k (4%) 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 £588k, £180k more than pay underspend.

Of Which Non-Pay Activity: 9 months to 31 December 2023



Year to date non-pay spend is £3,398k, £931k (22%) below plan. This underspend is mainly due to the RSP delivery partner joining the programme later than originally planned. This followed extended commercial and assurance processes to make sure the programme delivered well. More recently this deferral was confirmed as part of our commitment to the ALB Reform and Efficiency Review.

Capital expenditure

Our capital allocation for 2023/24 is £2,041k. 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 31 December 2023 is £464k. £304k of this spend relates to the replacement of aged servers, with the remaining £160k on work done as part of foundation phase of the programme. Our forecast position on capital is £1,586k and is the result of the foundation phase of the programme.

Better Payments Practice Code (BPPC) performance

The HRA have a duty to pay 95% of invoices in 30 days. For the 9 months to 31 December the HRA achieved both the target by value (99%), and by volume (97%).

	Month 9	Target	Over/(Under) Target	2022/23
	%	%	%	%
Number of invoices paid within 30 days	97%	95%	2%	94%
Value of invoices paid within 30 days	99%	95%	4%	98%

Cash performance

The HRA have an annual cash allocation in 2023/24 of £20,967k. The cash balance at the end of December 2023 was £2,134k, which is 10% of the annual cash allocation.

The forecast year end cash balance is £4,838k, which is 23% of the annual cash allocation and a £2,704k increase on the cash balance at 31 December. This increase is due to an anticipated increase in liabilities at year end, including those relating to expenditure on RSP.

Reserve Commitments

At 31 December 2023, the HRA had a reserve of £485k to allocate to expected cost pressures arising or for other commitments.

The previous Board Report (showing the position at 30 September) stated that there was no reserve available at that time. The reserve funding outlined above became available during September following confirmation from DHSC that they would now provide non-recurrent funding to cover the 2023/24 pay award.

Recommendations

The HRA Board are asked to review and approve the finance report for the 9 months ended 31 December 2023.

Matt Balding
Deputy Director Finance and Estates