

EXECUTIVE SUMMARY**REPORT TO THE BOARD OF DIRECTORS****HELD ON 15th APRIL 2015**

Subject	Yorkshire and Humber Local Clinical Research Network 2015/16 Annual Financial Plan
Supporting TEG Member	Neil Priestley
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Status¹	A*

PURPOSE OF THE REPORT

To obtain Trust Board approval.

KEY POINTS

- 2015/16 National allocation remains at same level as 2014/15 i.e. £284,600,000 but with a redistribution between funding categories.
- Result is an increasing variable allocation with more emphasis on delivery and performance.
- Y&H CRN allocation set at **£28,150,355** – a reduction of **£548,685 (1.91%)** on 2014/15.
- Net reduction due to redistribution of fixed per capita funding to variable delivery and a contribution to the 5% cap and collar protection across the 15 Networks.
- Total allocation equates to 9.9% of National budget.
- Main challenges for 2015/16; managing the reduction, address new arising costs, manage pay inflation and the implementation of a model for allocations to PO's based on performance and activity whilst maintaining financial stability.
- Balanced plan prepared by core Y&H CRN Executive Group and addresses the challenges whilst supporting the Networks strategic direction.
- Plan reviewed by the Partnership Group on 3rd March 2015 in accordance with the Performance and Operating Framework and approved by the Trust Executive Group on the 1st April 2015.
- Risks have been identified and plans in place to mitigate them which includes a contingency reserve and use of Research Capability Funding.
- LCRN funds will be managed such that there is no financial risk to the Trust as Host.

IMPLICATIONS²

AIM OF THE STHFT CORPORATE STRATEGY 2012-2017		TICK AS APPROPRIATE
1	Deliver the Best Clinical Outcomes	√
2	Provide Patient Centred Services	
3	Employ Caring and Cared for Staff	
4	Spend Public Money Wisely	√
5	Deliver Excellent Research, Education & Innovation	√

RECOMMENDATIONS

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APPROVAL PROCESS

Meeting	Date	Approved Y/N

¹ Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note

² Against the five aims of the STHFT Corporate Strategy 2012-2017

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

TRUST BOARD MEETING – 15 APRIL 2015

YORKSHIRE AND HUMBER LOCAL CLINICAL RESEARCH NETWORK ANNUAL FINANCIAL PLAN FOR 2015/16

1. INTRODUCTION

- 1.1. As Host Trust to the NIHR Yorkshire and Humber Local Clinical Research Network (Y&H CRN), the Board of Directors is required each year to approve the Financial Plan for the coming year prior to submission to the NIHR Clinical Research Network Coordinating Centre (CRN CC). This paper sets out to seek this approval.
- 1.2. The 2015/16 financial year follows a year of transition from the former structure of NIHR Clinical Research Networks into a single new LCRN across Yorkshire and Humber. The 2015/16 Financial Plan reflects the establishment of a Governance, Leadership and Management structure throughout the transition year and the need to deliver high quality research, meet performance metrics and overall objectives. The financial plan is considered in some detail in the subsequent sections of the report as follows:

<u>Section</u>	<u>Financial Plan Element</u>
2	2015/16 Funding Allocation
3	Planning Process and Principles Applied
4	Financial Plan Summary
5	Risks and Contingencies
6	Monitoring and Governance Arrangements
7	Conclusion
8	Recommendations

2. 2015/16 FUNDING ALLOCATION

- 2.1. The total allocation for 2015/16 confirmed by the CRN CC, for the Y&H CRN is **£28,150,355**.
- 2.2. This represents a £548,685 reduction (1.91%) on the equivalent allocation for the 2014/15 financial year. The changes by funding category is summarised as:

Funding Element	2014/15		2015/16		Change	
	Total Allocation	% of Total	Total Allocation	% of Total	Total Allocation	%
Leadership & Management	£782,383	2.73%	£782,383	2.78%	£0	
Per Capita	£5,626,668	19.61%	£4,142,691	14.72%	-£1,483,977	
Project Related Funding	£1,574,274	5.49%	£1,349,623	4.79%	-£224,651	
Performance Related Funding	£253,623	0.88%	£418,879	1.49%	£165,256	
Recruitment Related Funding	£20,462,092	71.30%	£21,546,077	76.54%	£1,083,985	
+/- Cap and Collar	£0		-£89,299	-0.32%	-£89,299	
Total	£28,699,040	100%	£28,150,355	100%	-£548,685	-1.91%

- 2.3. The funding available nationally totals £284,600,000 which remains at the same level as for 2014/15. However, there has been a redistribution of allocations between funding categories. For example, the total per capita allocation has reduced by 4.9% from £57,000,000 to £43,000,000 and re-allocated to the categories of Performance and Project related funding. The rationale being to emphasise the importance of performance in research delivery.
- 2.4. In order to maintain financial stability across the 15 Networks, a cap and collar limit of +/- 5% change over individual LCRNs 2014/15 funding allocations has been applied. The £89,299 reduction for Y&H CRN represents its relative contribution to this.
- 2.5. Despite the £548,685 reduction, the Y&H CRN remains the third largest network in terms of funding and the £28,150,355 represents 9.9% of the national budget.
- 2.6. The challenges for the 2015/16 year are to manage the £548,685 reduction, address new arising costs such as the implementation of a Local Portfolio Management System, to manage in-year pay inflation and implement a model for financial allocations to Partner Organisations (PO's). The latter being a model which is consistent with research delivery and performance, whilst maintaining financial stability across PO's.

3. PLANNING PROCESS

- 3.1. The Financial Plan has been prepared by the Y&H CRN Executive and following consultation with a Task and Finish Group on a model of financial allocations for 2015/16 and beyond and was reviewed by the Y&H Partnership Group on the 3rd March 2015.
- 3.2. The Y&H CRN Executive has identified the proposed funding allocations in to the following 3 categories for distribution across the Network at the appropriate time throughout the financial year:
 - Core Delivery Funding – This will be allocated to POs to support the delivery and performance of CRN Portfolio Research.
 - Additional Funding - Several categories of funding will be allocated separately from the Core allocation to the appropriate PO's to support Leadership, Management, Hosting and Flexible Cohort costs.
 - Contingency Reserve – The Executive will retain a contingency reserve to allow for timely and responsive allocations throughout the year in line with recruitment and performance.

4. FINANCIAL PLAN SUMMARY

The Host, through the LCRN Executive Team has drawn up a balanced financial plan summarised as follows:

Notes	Category	NIHR Funding Allocation	2015/16 Plan	Variance to Allocation
4.1	LCRN Core Leadership & Management	£782,383	£731,381	£-51,002
4.2	Research Management & Governance	£1,349,623	£1,390,616	£40,993
4.3	Hosting	£400,000	£354,616	£-45,384
4.4	Contingency Reserve	£418,879	£425,441	£6,562
4.5	Leadership & Management Support	£25,199,471	£2,061,349	£48,830
4.6	Primary Care Delivery		£1,388,134	
4.7	Cohort Delivery		£1,536,240	
4.8	PO Delivery		£19,560,578	
4.9	Clinical Leadership		£702,000	
Total		£28,150,356	£28,150,356	£0

Notes:

- 4.1. LCRN Core Leadership & Management – A funding allocation capped at £782,383 per LCRN is available to support leadership and senior management costs within a defined structure.

The Y&H CRN has implemented a different model of Divisional management to the one defined by NIHR. This model is still being tested, but for the 2015/16 financial year it is able to release £51,002 savings to support Network delivery.

- 4.2. Research Management & Governance (RM&G) – RM&G is a service required to support research projects within PO's to ensure compliance with the NHS Research Governance Framework. The R&D department of each organisation is responsible for performing the relevant checks before and throughout a study which involves NHS patients, staff, data and facilities.

The funding available nationally remains at the same levels as 2014/15 i.e. £17,060,085. The £1,349,623 allocated to Y&H CRN reflects its relative share of this and is based on the number of research projects active throughout the period October 2013 to September 2014. This represents a £224,651 reduction for the Network and has been managed through the redistribution of savings across other areas of budget.

- 4.3. Hosting – The NIHR has set, as guidance, an allocation for Host Corporate Services at the lower of 2% or £400,000 of a LCRN's total allocation. The guidance cap for Y&H is therefore set at £400,000. The £354,616 planned spend includes the cost to the Host Trust in executing its responsibilities as defined in the NIHR Performance and Operating Framework and Contract with the Department of Health.

The Host has kept its costs to a minimum without compromising its ability to deliver its contractual obligations. As such it has been able to retain £45,384 to support Network delivery.

4.4. Contingency Reserve – The £425,441 contingency represents 1.5% of the total 2015/16 allocation for the Y&H CRN.

4.5. Core Leadership & Management Support – This support to the core leadership and management team structure includes information management, administrative functions, Network PPI, non-pay, accommodation expenses and network RM&G.

The £2,061,349 plan for 2015/16 is inclusive of a 5% efficiency saving

4.6. Primary Care – The Y&H CRN Executive propose to retain a ring-fenced budget in support of Primary Care delivery and Strategy for growth. This will include both infrastructure and service support costs and will be managed by the Executive through the Division 5 Research Delivery Manager.

The £1,388,134 plan for 2015/16 is based on the 2014/15 total budget net of a 5% efficiency saving.

4.7. Cohort Delivery – The Y&H CRN Executive is keen to develop its strategy to grow a flexible workforce to enable responsiveness to need across the Network. This reflects current practice in the North and South of the Region.

The £1,536,240 allocation reflects the current cost of flexible cohort staff who are employed by PO's but supporting delivery across the North and South of the Region. A similar model for the West of the Region will be pursued in consultation with PO's.

4.8. PO Delivery – A total of £19,560,578 has been identified to support Research Delivery and Performance across the PO's with support from flexible cohort staff to those PO's in the North and South of the Region. A model for the distribution of this has been developed by the aforementioned Task and Finish Group. The Y&H Partnership Group endorsed the development of this model at its meeting held on 3rd March 2015.

4.9. Clinical Leadership – The clinical leadership infrastructure has now been identified in line with the Performance and Operating Framework and will be fully operational by the start of the 2015/16 financial year.

The £702,000 allows for the payment PA time for Divisional and Specialty Leads, associated travel and other non-pay expenses.

5. RISKS AND MITIGATION

5.1. Risks

- The Financial Plan relies on 5% efficiency savings being released from Primary Care and Leadership and Management support to a total value of £178,305.
- Network Research Capability Funding (RCF) and the Contingency Reserve was utilised in 2014/15 to address elements of inherent cost pressures across PO's. Whilst some pressures have been managed out of the system, residual pressures remain which still need to be addressed. The RCF allocation for 2015/16 has been confirmed at £758,157, which is a £300,980 reduction on the previous year.

5.2. Mitigation - Initiatives to ensure maximisation on the efficient use of resources will commence throughout the year and will include:

- PO's will be required to demonstrate that DH guidance on Attributing the costs of health and social care Research and Development (ACoRD) is fully implemented.
- A process for the identification and utilisation of income generated from Portfolio adopted commercial research studies to be rolled out consistently across the Network.
- Work to identify and release further efficiency savings and to monitor progress on delivering the savings across Primary Care and Leadership and Management Support.
- The contingency reserve and RCF will also be utilised to address pressures on an exceptional basis.

6. MONITORING AND GOVERNANCE ARRANGEMENTS

- 6.1. The Host Organisation is required to report expenditure and forecast outturn for the financial year to the national CRN CC on a quarterly basis.
- 6.2. Expenditure monitoring by PO's will be assessed in line with their Research Delivery and Performance.
- 6.3. The Y&H Executive propose to implement a system for the monitoring of PO's financial position by exception on a monthly basis. This will be a standing item at its monthly meeting.
- 6.4. The Y&H Executive also proposes to establish a Financial Advisory Group inclusive of Host and PO members. This group will support the various initiative's to help drive maximisation of the efficient use of resources.

7. CONCLUSION

- 7.1. The Host has a balanced Financial Plan for the Y&H CRN based on current assumptions.
- 7.2. LCRN funds will be managed such that there is no financial risk to the Trust as Host.
- 7.3. However, there are a number of risks and challenges which will need to be overcome.

8. RECOMMENDATION

- 8.1. The Trust Board of Directors is asked to:
 - Approve the 2015/16 Financial Plan.
 - Note the challenging environment facing the Network over the forthcoming year.

Julie Patchett,
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7th April 2015