National Institute for Health and Care Excellence

Resources report

This report gives details of the financial position as at 30 September 2020, an update on Human Resources & Organisational Development and an update on the NICE Connect transformation programme.

Year to Date Financial Position as at 30 September 2020

Table 1 summarises the financial position as at 30 September 2020. There is a full breakdown in Appendix A.

| Spend Category | Year to Date Budget £m | Year to Date Actual £m | Year to Date Variance % | Year to Date Variance % |
| --- | --- | --- | --- | --- |
| Pay | 22.8 | 20.7 | (2.2) | (9%) |
| Non pay | 14.7 | 13.1 | (1.6) | (11%) |
| Income | (11.1) | (8.8) | 2.4 | 21% |
| **Total** | **26.4** | **25.0** | **(1.4)** | **(5%)** |

Table 1: Financial position as at 30 September 2020

Overall, the year to date position to 30 September 2020 was an underspend of £1.4m (5%) as shown in Table 1 above.

Pay expenditure

Pay expenditure to 30 September 2020 was £20.7m against a budget of £22.8m, resulting in an underspend of £2.2m (9%).

As of 30 September 2020, NICE had 101 whole time equivalent (wte) vacant posts across the organisation. These vacancies are a mixture of vacancies relating to general staff turnover and new posts to support transformation and new activity (for which recruitment had been planned to begin in the latter half of 2020-21).

Non-pay expenditure

Non-Pay expenditure to 30 September 2020 was £13.1m against a budget of £14.7m, resulting in an underspend of £1.6m (11%). The year to date underspend is mainly due to the following:

* £0.4m underspend against the flexible element of the MedTech External Assessment Centre contracts. It is expected that the fixed element of the contract will be fully utilised this year despite limited activity at the beginning of the year because of COVID-19, but it is unlikely that much of the variable budget will be used this year.
* £0.8m underspend on travel and subsistence and committee costs across NICE. This will likely continue for the rest of the financial year.
* £0.2m underspend against the project budget within NICE Connect set aside for contractor / consultancy spend on the content development strategy and operational productivity (including SharePoint Online implementation).
* £0.1m relating to unspent conference and seminar budgets, including the NICE annual conference and attendance at external conferences. Many of these have been moved into the next financial year.

Income

Income generated to 30 September 2020 was £8.8m against a budget of £11.1m, resulting in an under recovery of £2.4m (21%). This is due to £2.7m under recovery of income from the TA / HST programme arising from the impact of the COVID-19 pandemic.

The under recovery of income is partially offset by NICE Scientific Advice (NSA) which has generated a surplus of £0.2m due to higher than expected income generation in the first half of the year. Further, the first instalment of the recently agreed partnership with NICE and NHS Digital for delivery of the national library of quality indicators was charged in September (£0.1m).

Forecast Outturn

The estimated outturn financial position is an underspend of £1.3m as shown in table 2 below.

Table 2: Estimated outturn to 31 March 2021

| Spend Category | Annual Budget £m | Estimated Outturn £m | Estimated Outturn Variance £m | Estimated Outturn Variance % |
| --- | --- | --- | --- | --- |
| Pay | 46.1 | 43.2 | (2.9) | (6%) |
| Non pay | 29.2 | 26.7 | (2.5) | (9%) |
| Income | (22.0) | (18.0) | 4.0 | 18% |
| **Total** | **53.2** | **51.9** | **(1.3)** | **(2%)** |

The September Resources Board paper stated a forecast deficit of £0.1m. This was based on the financial position and uncertainties as at the end of July (4 months). Following a mid-year forecast review by the finance team we now expect the forecast outturn to be an under spend of £1.3m in 2020/21.

The £1.4m change in forecast variance has arisen due to the following:

* £0.4m further underspend in pay relating to delayed recruitment to new posts and the recruitment gaps expected on staff who handed in their notice after July.
* A £0.3m reduction in the cost pressure relating to the new COVID-19 Unit, it had previously been assumed these posts would be filled by external candidates, but they have thus far been filled internally.
* £0.2m of potential costs in London due to overlapping rent and rate costs have been avoided due to slippage in the new lease start date.
* £0.3m higher income forecast, mainly attributable to increased expectation that Scientific Advice will make a surplus this year.
* A £0.1m reduction in our assumption of potential legal costs relating to judicial reviews since July.

Update on COVID-19 assumptions in 2020-21 business plan

We made some financial assumptions in the 2020-21 Business Plan regarding COVID-19, with a reasonable worst-case scenario of £0.4m deficit, rising to £2.1m in the worst-case scenario. Table 3 below shows an update on the current year-end forecast against these assumptions.

Table 3: Business plan vs forecast COVID-19 assumptions

| Assumption  | Business Plan (April 20) | Forecast (September 20) |
| --- | --- | --- |
| Income: Reduction in Technology Appraisal income (35 to 50%) | Between £3.7m to £5.4m deficit | £4.5m deficit |
| Income: Reduction in NSA/ OMA income | Estimated £0.3m deficit | OMA breakeven NSA £0.4m surplus |
| Expenditure: Pay underspend due to vacancies | £3.0m underspend | £2.9m underspend |
| Expenditure: Travel underspend | £0.6m underspend | £1.6m underspend |
| Issues arising in year |  n/a | £0.7m EAC variable budget underspend |
| **Total Forecast** | **£0.4m to £2.1m deficit** |  **£1.3m surplus** |

The largest uncertainty in March and April was how much TA & HST income would be impacted by the pandemic and the impact on committees and staff availability. We estimated that a reasonable worst-case scenario was a 35% (£3.7m) reduction in income and our worst-case assumption was a 50% (£5.7m) reduction, which assumed a second wave during the winter period. The current assumption is that we will fall somewhere between these two scenarios, but this will depend on the impact of additional national and local restrictions to suppress COVID-19 transmission.

It had been prudently assumed the NICE Scientific Advice (NSA) and Office for Market Access (OMA) programmes might expect to see income levels fall because of the pandemic, however this has not materialised.

At the start of the year, given the number of new and vacant posts, it was assumed there would be significant pay slippage. We are currently forecasting close to the £3m predicted, based on higher pay spend in the second half of the year as a result of recruitment across the organisation. This is a prudent estimate and could increase further if there is slippage in these plans or posts are filled by internal candidates.

The travel budget is £1.6m. It had been assumed during business planning that there would be a reduction in travel costs for several months, including the possibility of a second wave, thereby saving approximately £0.6m. It is now assumed that there will be almost nil travel costs incurred this year.

In addition to the assumptions made in the business plan, other underspends have materialised during the year. The key underspend is against the MedTech EAC budget as noted earlier, with several other smaller underspends totalling £0.2m making up the balance to the forecast £1.3m underspend.

Human Resources & Organisational Development Update: September and October 2020

This section is to provide an update on people issues and activities in September and October 2020.

Values and behaviours

Following considerable engagement with our staff through surveys and focus groups, we have now agreed a set of seven values and behaviours:

* Collaborative: We believe in the power of working together, involving the right people at the right time, in a meaningful way.
* Kind: We are attentive to the needs of others, and act with empathy and consideration.
* Respectful: We show due regard for each other’s wishes, feelings, and rights.
* Dynamic: We are flexible and adaptive, and embrace opportunities to make improvements, grow and innovate.
* Inclusive: We proactively build inclusion, equality and diversity into everything we do.
* Excellent: We take pride in our work, bringing the highest levels of expertise and professionality to everything we do.
* Empowered: We encourage open and honest dialogue, welcome constructive challenge, and trust each other to act.

We are now working to embed our values into a range of activities including recruitment, appraisals and line manager conversations.

Re-opening of Manchester office

Almost all NICE staff continue to work from home. We opened the Manchester office in October for those staff who need or strongly desire to work from the offices, although a decision was made to close the office when the current restrictions came into force on 5 November. The CQC has offered space at Buckingham Palace Road for London-based staff who need or strongly desire to work from an office location.

Workforce planning

To support staff and managers in agreeing their options for working flexibly whilst maintaining their contracted hours, we have produced a managers’ guide and released a range of policy addendums, and HR surgeries were held throughout October.

We established a recruitment and workforce planning working group to review the principles of short term recruitment, discuss any barriers experienced in recruitment, discuss and implement innovative ideas for resourcing and to consider an organisation wide approach to workforce planning.

Our digital marketplace, which was established to match skills, capacity and demand more effectively, is now being used to support the recruitment to the NICE Connect programme. We received 18 expressions of interest through the marketplace system and have appointed 8, with the remaining 10 on hold. A number of backfill posts will be advertised externally in November.

Employee Relations

The HR operations team are continuing to support a number of ongoing employee relations cases. Although there was a slight slow-down in employee relations activity at the start of the move to homeworking, we have returned to our usual activity levels and are successfully managing employee relations issues remotely, albeit with appropriately adapted processes to ensure that everyone affected has the support that they need.

There has been a marked reduction in staff sickness absence when compared to the same period last year and absence levels remain low across the organisation. We are continuing to monitor the time it takes for absences to be recorded and to monitor the affect this has on absence figures across the organisation.

Mental health and stress related absences have shown a small upward trajectory in the months of July and August 2020 both from the beginning of the year and when compared with the same period last year. However, levels in September and October are down when compared to the same period last year and we will continue to monitor this on a month by month basis. Any stress related illnesses have been supported informally by the HR team and we continue to see resolution on an individual level.

Healthy Work Week

In September, NICE held a virtual healthy work week for staff to take part in with a range of activities focused on the [five ways to wellbeing.](https://www.nhs.uk/conditions/stress-anxiety-depression/improve-mental-wellbeing/) Activities during the week included crochet with the Woolpack craft group, virtual art sessions, a book club session, mindfulness and yoga.

Ninety-four attendees signed up for the sessions during the week and 72 staff members took part in the pedometer challenge. Staff commented on benefitting from spending time with people outside their direct teams, time to relax during the busy working day and taking part in a fun activity with colleagues. There is enthusiasm for us to continue running virtual wellbeing events.

National Inclusion Week

In September, NICE celebrated National Inclusion week, which is a nationwide event organised by Inclusive Employers. They aim to bring people and organisations together to make inclusion an everyday reality.

We had a series of blogs sharing lived experiences, shared educational resources, and held daily challenges for staff to take part in throughout the week. NICE’s Cultural Exchange Group held a virtual session, we had a diversity & inclusion quiz, and a workshop on allyship in the workplace. The week was rounded off by a panel session on diversity and inclusion with our Chairman Sharmila Nebhrajani, NICE diversity champions and external panellist Paul Henry (Risk & Compliance Director, National Savings & Investments). 174 colleagues watched the event live, and the recording is available on our intranet.

The impact of remote recruitment on diversity and inclusion

Since the end of March, all of our recruitment and onboarding has been conducted remotely. We have analysed our recruitment diversity data for 1 April 2020 to 30 September 2020 and compared it to our recruitment statistics from the last financial year, where interviews and induction was conducted almost entirely face-to-face.

Since working from home, disabled applicants are slightly more likely to apply (increase from 5.7% to 6.3% of applicants), get shortlisted for interview (increase from 6.9% to 8.9%) and get appointed (increase from 6.9% to 8.4% of appointees).

Male applicants are more likely to apply (increase from 39% to 48% of applicants), more likely to get shortlisted (increase from 35% to 47%) and are more likely to be appointed (increase from 28% to 34%).

The percentage of applications from black, Asian and minority ethnic (BAME) backgrounds has decreased from 45% to 40%. The percentage of BAME candidates being appointed has stayed similar at 13.3% (compared to 13.7% previously). We are concerned by the outcomes for people from BAME backgrounds in our recruitment, and we will be taking steps to address these directly. We will do this alongside the projects to deliver our equalities objectives.

The percentage of applications from lesbian, gay or bisexual people has increased slightly from 6.2% to 7.9%, and appointments have stayed similar at 8.4% (compared to 8.9% last year).

Connect transformation update: September and October 2020

The overall programme rating remains as amber due to resource capacity; however, the position is improving. Appendix B provides a summary of progress made during the past two months along with upcoming milestones. It describes how significant progress has been made in addressing the Connect resource gaps, the organisational development plan has been approved and 3 project initiation documents (PIDs) have been approved by the Steering Group.

Appendix A: NICE financial position

The table below is a summary of the financial position per centre and directorate as at 30 September 2020 and gives an estimated outturn to March 2021.

NICE financial position per centre and directorate as at 30 September 2020

| Centre / Directorate | Year to Date Budget £m | Year to Date Actual £m | Year to Date Variance £m | Year to Date Variance % | Annual Budget £m | Estimated Outturn £m | Estimated Outturn Variance £m | Estimated Outturn Variance % |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Income from TA and HST cost recovery | (5.3) | (2.7) | 2.7 | 50% | (10.7) | (6.2) | 4.5 | 42% |
| Other funding From other ALBs, Devolved Administrations | (3.7) | (3.8) | (0.0) | (1%) | (7.4) | (7.5) | (0.0) | (1%) |
| Centre for Guidelines | 9.0 | 8.7 | (0.3) | (3%) | 18.4 | 18.1 | (0.3) | (1%) |
| Centre for Health Technology Evaluation | 6.5 | 5.7 | (0.9) | (13%) | 13.6 | 12.0 | (1.6) | (12%) |
| Health & Social Care | 3.4 | 3.1 | (0.3) | (9%) | 7.0 | 6.3 | (0.7) | (10%) |
| Digital, Information and Technology | 3.4 | 3.2 | (0.1) | (4%) | 6.5 | 6.3 | (0.2) | (3%) |
| Science, Evidence and Analytics | 3.7 | 3.5 | (0.2) | (5%) | 7.6 | 7.4 | (0.2) | (3%) |
| Finance, Strategy and Transformation | 4.3 | 4.0 | (0.3) | (7%) | 9.1 | 8.7 | (0.4) | (5%) |
| Communications | 2.1 | 2.0 | (0.1) | (5%) | 4.5 | 4.2 | (0.3) | (6%) |
| NHS Pension costs (6.3% increase) | 0.9 | 0.9 | 0.1 | 7% | 1.8 | 1.9 | 0.2 | 11% |
| Depreciation (non-cash) | 0.3 | 0.3 | (0.1) | (20%) | 0.7 | 0.6 | (0.1) | (10%) |
| Part-year effect Pay budget adjustment | 1.9 | 0.0 | (1.9) | n/a | 2.2 | 0.0 | (2.2) | n/a |
| **Grand total** | **26.4** | **25.0** | **(1.4)** | **(5%)** | **53.2** | **51.9** | **(1.3)** | **(2%)** |

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