NHS
Health Research Authority

Health Research Authority
Annual Report and Accounts

For the Year to 31 March 2017

NHS

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1.0 The Health Research Authority

The Health Research Authority (HRA) is a Non Departmental Public Body (NDPB). We are tasked with protecting and promoting the interests of patients and the public in health and social care research, including publishing policy and guidance on the good management and conduct of research and promoting transparency in research. The HRA has a vital health and social care research system leadership role and in accordance with the Care Act 2014, our main purposes are to co-ordinate and standardise practice relating to the regulation of health and social care research, recognise and establish Research Ethics Committees (RECs), be a member of UK Ethics Committee Authority (UKECA) and provide approvals for the processing of confidential information relating to patients.

The HRA appoints and manages 67 Research Ethics Committees (RECs) and works with colleagues in the Devolved Administrations to provide a UK wide service working to HRA Standard Operating Procedures (SOPs).

We also appoint and manage the independent Confidentiality Advisory Group (CAG) which provides advice about the appropriate use of confidential patient information without consent in the NHS for research and other purposes such as the commissioning of health services. The HRA is formally responsible for approving CAG's advice and for advising the Secretary of State for purposes outside of research.

An invaluable contribution is made by the 1,000 or so volunteers who serve on the RECs, the National Research Ethics Advisors' Panel (NREAP), the Public and Patient Involvement Panel and CAG who give their time freely to support the HRA and our work.

Our ambition is to be a successful organisation that is:

- Driven by the key purpose of protecting and promoting the interests of patients and the public in health and social care research;
- Underpinned by strong leadership focussed on creating a streamlined and efficient framework for the approval and management of research; and
- Acknowledged as successful by key stakeholders, as well as through demonstrably improved performance, increased numbers of research participants and greater confidence in health research.

1.1 Strategic Objectives

The HRA's overall strategic goal is to make the UK a global leader for health and social care research and works with a wide range of partners to help create an environment where more money invested in research goes into carrying out relevant, good quality research that is registered and published.

Our stated strategic aims are:

- Leading improvements that make it easier to conduct good quality research in the UK;
- Improving efficiency and effectiveness of systems and of advice and guidance;
- Building and consolidating productive relationships with public and professional stakeholders;
- Having a skilled, dedicated and motivated workforce and HRA volunteer committee members; and
- Ensuring the HRA is managed and governed effectively and provides value for money to the tax payer

2.0 Performance Report

2.1 Overview

i. Summary

This Performance Report sets out how our work has contributed to the delivery of our strategic objectives and statutory remit. It details the year's key achievements and overall performance, the major risks addressed and mitigated and the strong financial performance achieved.

ii. Acting Chief Executive's Perspective

Welcome to the 2016-17 annual report for the HRA. This year has been a significant one for the HRA with the introduction of the new integrated Approval Service which required significant levels of collaboration across teams within the organisation, with members of the research community submitting studies and with colleagues across the UK to achieve a unified approach. I am delighted to report that we have recently been able to demonstrate some of the anticipated benefits of this new way of working and that all of the hard work has been worthwhile. We believe we have now reached a steady state but continue work to fine tune the new operating model and to work on enhancements which will improve the user experience.

The HRA Approval programme has by and large dominated the year but the passion and commitment of our staff and volunteers who have made significant contributions in other areas should also be recognised.

Patient and public engagement is an integral part of our work in promoting research participation and ensuring that we are asking the right questions to protect their interests. During the year the HRA has hosted a number of well attended events to inform the advice that we offer and the questions we present to researchers on their behalf. This is particularly important in the context of the use of personal data in the context of increased use of technology.

We were delighted to see the user feedback recognising the valued advice and support provided by the REC members and in response to an expanding level of research diversity we have increased the number of experts supporting our National Research and Ethics Advisory panel.

Our Guidance team has been undertaking a comprehensive review of information that we share via our website with the aim of making information more accessible and has recently published new guidance on amendments.

Our Policy team has also been working hard with colleagues across the HRA and with the other regulators to ensure that we continue to make progress with forthcoming changes to legislation and to support our decision making following the EU referendum.

This year has seen a change of leadership for the HRA. Due to ill health, our substantive Chief Executive, Janet Wisely, handed over Chief Executive and Accounting Officer responsibilities to me, Teresa Allen, Acting Chief Executive, on 18th November 2016.

I would like to express my thanks to Janet and everyone who has helped us achieve our objectives during the year including our support services teams who work tirelessly behind the scenes. I would also like to extend this thanks to our many volunteers who contribute so much to our work and without whom we would not be able to deliver as much as we do on our wide-reaching remit.

iii. HRA Purpose and Activities

The HRA protects the interests of the public, streamlines research, promotes transparency in research and works in collaboration with the devolved nations and stakeholders.

As laid out in the Care Act 2014, our main functions are:

- Co-ordination and standardisation of practice relating to the regulation of health & social care research;
- Recognising and establishing RECs;
- Being a member of UKECA; and
- Providing approvals for processing confidential information relating to patients.

Our main objectives in exercising these functions are to:

- Protect participants and potential participants in health or social care research and the general public by encouraging research that is safe and ethical; and
- Promote the interests of those participants and potential participants and the general public by facilitating the conduct of research that is safe and ethical - including promoting transparency in research.

Transparency in research includes the registration of research, the publication and dissemination of research findings and conclusions, the provision of access to data on which research findings or conclusions are based, the provision of information at the end of research to participants in the research and the provision of access to tissue used in research, for use in future research.

iv. Key Issues and Risks

The key issues this year relate to the delivery of HRA Approval, the new streamlined approach for the approval of research in the NHS in England. We completed the roll out of HRA Approval on 31 March 2016. Unfortunately, it took us longer than we had anticipated to achieve the planned level of service for HRA Approval, particularly in relation to the management of amendments following the launch. We have now dealt with this issue, the backlog in processing has been cleared and good timelines are now being achieved. Close working with external stakeholders including the devolved administrations has been required to ensure the UK wide service for research ethics was maintained to agreed standard operating procedures whilst commitments to broader compatibility for the governance and approvals within the NHS was preserved.

v. Performance Summary

The HRA has a set of operational indicators that we monitor closely to determine and demonstrate progress against key objectives. Each director is responsible for managing and measuring performance against objectives. The HRA recognises that these measures can form a core component on an overall indicator but that

success in many areas is much more than a simple quantitative measure. As such, success is regarded as not only as an achievement of a stated objective but also that the achievement has led to a tangible benefit realised and valued by stakeholders including patients, the public, researchers, others involved in the regulation and management of research in the UK and other opinion formers. Through our performance management regime therefore, we aim to make judgements about our ultimate ambition to make the UK a great place to do health research and to build patient confidence in health research.

The HRA Board reviews progress against delivery of objectives quarterly with the HRA Leadership Team (LT) reviewing progress bi-monthly. To support these processes, a performance management framework has been developed to report progress against each objective.

The HRA has set out key performance indicators for each high level business objective, together with the component measures that will be used to make judgements on the successful improvement and delivery of these indicators.

Individual staff objectives that complement and reflect these organisational objectives are developed during the Appraisal process and monitored during regular 1-1s between staff and line managers.

2.2 Performance Analysis

i. Detailed Analysis

The launch of the new HRA Approval Service

One of our most significant achievements of 2016 was the roll out of the new HRA Approval Service. This is now the single route for new applications and amendments for studies involving the NHS in England.

HRA Approval has been embedded during 2016-17, with NHS organisations adopting new arrangements focussed on supporting site set-up. Implementation of HRA Approval has involved significant changes in both process and culture across the NHS and research sponsors. The HRA is now accountable for decisions relating to legal and compliance matters, so NHS organisations and sponsors are able to work more collaboratively and effectively to set studies up. We have continued to work closely with research funders, sponsors and NHS organisations throughout the year to respond quickly to feedback and adapt the new arrangements. There is significant support from NHS R&D staff for the new process and we welcome early feedback so that collectively we can ensure that the whole system is maximising the benefits of the new process.

Early data indicates that by bringing the legal and compliance checks in parallel to the ethical review, the overall timeline for study set-up can be reduced significantly. The implementation of HRA Approval revealed the extent of waste and delay in the system historically as it became clear how many studies and amendments had been put through approval systems in a sequential way. There was no national mechanism to capture information on this historic practice previously and there were therefore an unexpectedly high number of researchers who requested approval for applications and amendments that had received ethical review months or years prior to March 2016 but had not had R&D review. This surge of applications had an impact on our ability to deliver rapid timelines initially and we apologise for any inconvenience to applicants that the delays that may have

caused. We implemented a number of measures in response to this surge to bring the volumes under control and although this took us longer than we had hoped, we are now pleased to report that the service is functioning efficiently and is meeting anticipated timelines.

We place particular emphasis on measuring end-to-end timelines as these reflect the perceptions of the research community about the overall regulatory system, although we recognise that these timelines are also affected by the quality of the applications we receive, the timelines of other approval bodies, and the speed of response of applicants. We have also collaborated with the National Institute of Health Research (NIHR) to measure timelines through to participant recruitment. This information helps us to identify further areas for improvement where we can collaborate with others across the research system to maximise efficient study set-up and delivery. We will be developing metrics based on end-to-end timelines during 2017 - 18.

We recognise that arrangements for pharmacy and radiation in research can create duplication and delay and have therefore developed a UK-wide system of technical assurances for pharmacy and radiation which we will continue to roll out across study types. Arrangements for contracting between sponsors and sites can add delay so we are collaborating on revisions to model agreements.

HRA Approval KPIs:

- **Non-REC studies:** Studies that do not need research ethics approval are approved in median 15 days from date of application to the HRA to the date of approval
- **REC-PR studies:** Studies that require research ethics proportionate review approval are approved in median 10 days from the date of additional REC conditions being met to date of approval
- **Full REC, non-commercial studies:** Non-commercial studies that require full research ethics approval are approved in a median 25 days from the date of additional REC conditions being met to the date of approval
- **Full-REC, commercial studies:** Commercial studies that require full research ethics approval are approved in a median 10 days from the date of additional REC conditions being met to the date of approval

Median KPIs	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17
Non-REC studies:	27	32	28	51	64	57	53	56	43	40	29	19	22	27
REC, proportionate review studies:	16	19	28	38	35	44	42	53	41	33	19	12	9	9
Full-REC, non-commercial studies:	8	9	16	23	29	29	36	35	33	38	24	13	7	7
Full-REC, commercial studies:	10	13	8	12	18	21	21	18	18	27	17	10	8	10

Research Ethics

The research ethics arm of the approval service has continued to deliver excellent performance achieving statutory timelines and key performance indicators, despite a significant turnover of staff, many of whom were able to take advantage of career progression opportunities within the HRA. We have put in place new processes to

help streamline the categorisation of amendments and a pilot has led to the adoption of a more efficient process. Excellent ratings from user satisfaction surveys recognise the help and support provided by both the REC staff and members.

We have worked collaboratively with the NIHR Clinical Research Network, the devolved administrations, industry bodies, charity funders, and professional membership bodies, and other regulators in developing and refining HRA Approval and related activities. We were pleased to gain agreement from NIHR on changes to its funding timeline, which means that applicants can receive initial funding to support the preparation of study documents and processes in advance on submission for HRA Approval.

New guidance was developed to support the implementation of HRA Approval. In the second half of the year we sought to streamline and simplify our content in response to applicant feedback.

Research ethics targets	Comment
95% of applications to full REC meetings to receive final decisions within 60 calendar days (mandatory)	Exceeded or met performance for each month
95% of amendments on approved applications submitted to REC meetings to receive a decision within 35 calendar days (mandatory)	Exceeded or met performance for each month
95% of applications to research ethics proportionate review service to receive decision within 21 calendar days	Target exceeded or met for 10 out of 12 months

Confidentiality advisory group (CAG) targets	Comment
CAG – 75% of full applications to be processed in 60 days	Target met for 10 out of 12 months
CAG - 75% of Precedent Set review applications to be processed in 30 days	Target met for 10 out of 12 months

Collaboration & Partnering

We worked with the Medical Research Council (MRC) Regulatory Support Centre on our online guidance and tools. This collaboration resulted in the publication of a revised version of the e-learning module for IRAS and further iterative improvements to our online consent guidance. We also worked with colleagues in all UK nations to develop guidance for researchers seeking to make amendments to studies conducted in the NHS/HSC. These revisions clarify the processes that are relevant to this sector and have provided a consistent UK-wide approach.
We have continued work with Partners to ensure that we offer consistent and timely information and advice. For example through continued partnership with MHRA, HTA and HFEA to deliver the regulatory advice service for regenerative medicine.

The panel of National Research Ethics Advisors has been revised to become a larger, virtual panel representing a much wider range of expertise, including experts in social care research.

Patient & Public Engagement & Involvement

Teams across the HRA have worked to increase the level of patient and public engagement activity to inform or support a number of changes as follows:

- Patient and public engagement was conducted to inform the CAG in its new advisory role to NHS Digital and its consideration of applications to process confidential patient information without consent, to better understand which considerations might impact on public confidence.
- During the course of the year the HRA published joint HRA and INVOLVE evidence and guidance statements on involving the public in health and social care research and the relevance of public involvement to the role of RECs. The aim of the two documents is to raise awareness of public involvement when researchers are in the early stages of designing a study.
- New patient and public pages were launched on the website that were developed by the HRA working alongside a patient and public group who helped to write the content, design the layout and feature in the videos we made with them.
- A programme of work focused on public involvement in ethical review has also progressed further during the year, increasing the depth of understanding for the approach to the revision of the Integrated Research Application System (IRAS) questions in relation to public involvement.

Transparency

100% of all summaries (other than the small amount that have been deferred) of health research projects conducted in the UK that require ethical approval through the UK wide REC service have been published on the HRA website

The EQUATOR Network undertook a call-for-comment on the IRAS question A51 (intentions to report and publish research results) with the resulting recommendations from EQUATOR ultimately being presented to the HRA

The HRA led a cross European taskforce of patients, industry and others to develop new EU Guidelines on Lay Summaries of Clinical Trial results. The taskforce was chaired by Sir Nick Partridge and the new guidelines were adopted by the European Commission in January 2017.

Supporting the Research Community & our Volunteer Members through Training & Development

We have delivered five new eLearning modules this year, with the aim of increasing open access to HRA learning tools. These modules have been visited over 1,300 times and we are developing a further six new modules to go live in 2017.

We also joined with the Institute of Clinical Research to provide training on HRA Approval, delivered bespoke training to individual commercial sponsors and collaborated with the Medical Research Council Regulatory Support Centre and the R&D Network to deliver a one-day workshop for 100 non-commercial sponsors. We have presented to hundreds of meetings with R&D staff, clinical research network staff and researchers to support the implementation of HRA Approval and related local processes.

Meeting our Financial Objectives

HRA Targets	Comment
95% of all invoices to paid within 30 days (BPPC Target)	Achieved 97% average in the year
95% of value of all invoices paid within 30 days	Achieved 99% average in the year

The HRA remained within agreed revenue, capital cash and resource limits for 2016/17 and our financial reporting targets were met throughout the year. New initiatives included the roll out of improved monthly reforecasting from September 2016 and budget manager training which has seen a significant improvement in our forecasting accuracy and strategic allocation of resources. Other initiatives to improve efficiency and reduce costs include:

- Investment in technology and smart working which has yielded 10% reduction in travel and accommodation costs and 45% reduction in mobile phone costs.
- An office refresh programme across our 5 regional offices to achieve the industry benchmark of 8sqm / FTE across our estate portfolio. This has been achieved and now we are working towards 8:10 desk: member of staff industry benchmark to further improve utilization of space.

System Availability

HRA Targets	Comment
All systems to achieve agreed contractual availability targets	Met for all systems each month

Response to requests/complaints/FOI's

HRA Targets	Comment
100% of response to requests/complaint/FOIs met within agreed timescales	Met for each quarter in the year

ii. Sustainability Report

Whilst the HRA may potentially be exempt from formal reporting on a number of Greening Government Commitments as it has less than 250 FTE, it has already demonstrated its commitment to the sustainability agenda. Since its establishment in December 2011 it has reduced the number of its regional offices from seven to five, and introduced video conferencing in its remaining offices to reduce the need to travel.

The HRA has also updated its travel and accommodation policies to generally ensure a more rigorous approach to managing the amount of travelling that staff have to do. It is also coming to the end of a programme of work which has committed to the government standard of eight desks to ten staff as well as offering opportunities for an enhanced level of flexible working which once again will reduce the amount of travelling required.

These factors taken together have and will continue to reduce costs as well as contribute to the reduction of the HRA's carbon footprint.

We have also moved to over 80% usage of recycled paper which represents a significant increase on previous years. Alongside this, the managed print service has seen a measurable reduction in paper use.

The HRA has also introduced a portal to enable REC members to review applications electronically and to avoid the need for papers to be printed and posted to members. This is available for all members and during 2017 - 18 will become the default method for members to access the applications they review.

Teresa Allen
Acting Chief Executive
Health Research Authority
14 June 2017

3.0 Accountability Report

3.1 Directors report

i. Governance

The HRA was established in December 2011 by Statutory Instrument signed by the authority of the Secretary of State for Health

Our relationship with the Department of Health (DH) acting on behalf of the Secretary of State is regulated by a Framework Agreement that sets out the respective roles and responsibilities of each party, the shared principles that underpin the relationship and the arrangements for ensuring that the DH is able to discharge its responsibilities as sponsor and in relation to accountability. It also explains the HRA's governance arrangements as well as clarifying the lines of accountability for its performance.

As an ALB, we work in close partnership with the DH to deliver its objectives. Whilst the HRA is responsible for its operational decisions and the way in which it discharges its functions, the Framework Agreement helps to describe how the DH will assure itself of our performance without interfering in its day-to-day decision making.

The DH's Research and Development Directorate act as Sponsors for the HRA and provide assurance to the Department's Permanent Secretary and the Secretary of State that it is meeting its obligations.

The HRA is governed by a Board that is its corporate decision-making body. It is composed of five non-executive directors (including the Chair, Jonathan Montgomery) and four executive directors (including the Chief Executive, Janet Wisely and subsequently Teresa Allen, Acting Chief Executive). Three further directors attend the Board.

We are committed to openness and transparency with Board meetings held in public and papers and minutes available on our website.

The Board has an Audit and Risk Committee, which meets quarterly to provides assurance that the HRA is meeting its statutory and regulatory requirements by scrutinising audit services and programmes, risk management, the annual governance statement, statutory annual accounts and corporate governance arrangements.

ii. Declaration of Interests

The HRA maintains a formal register of Board member's interests as set out in the Code of Accountability for the NHS. Board members are asked to confirm any declarations of interest at each Board meeting and at any time that changes take place. This includes any interests in relation to specific items on a Board agenda. Board members are also asked to declare any spouse / partner interests. The register, showing current declarations made by the Board, is updated on a regular basis and made available to the public on the HRA website at: http://www.hra.nhs.uk/wp-content/uploads/2013/09/HRA-Board-Declaration-of-interest-register-April-2017.pdf

iii. Remuneration to Auditors

The accounts have been prepared according to accounts direction of the Secretary of State, with approval of HM Treasury. The accounts have been audited by the Comptroller and Auditor General in accordance with the Care Act 2014 at the cost of £35,000. The audit certificate can be found on page 37.

iv. Personal Data related Incidents

No significant personal information incidents have occurred throughout 2016-17 resulting in a submission to the Information Commissioner. There have been fourteen minor breaches (the majority comprising of e-mails sent to wrong address) which have all been investigated and appropriate action taken.

v. Financial Instrument

Financial instruments relating to the HRA can be found in Note 16 of the accounts page 55.

3.2 Statement of the Accounting Officer's responsibilities

Under the Care Act 2014, Section 109 (Schedule 7, paragraph 20) the Secretary of State has directed the HRA to prepare a financial statement of accounts for each year in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the HRA and of its net resource outturn, application of resources, changes in tax payers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual issued by HM Treasury and in particular to:

- Observe the Accounts Direction issued by the Secretary of State, with the approval of HM Treasury, including the relevant accounting and disclosure requirements and apply sensible accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis;
- confirm that the annual report and accounts as a whole is fair, balanced and understandable; and
- Confirm that the Accounting Officer takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Accounting Officer of the Department of Health has designated the Chief Executive and subsequently the Acting Chief Executive as Accounting Officer of the HRA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the HRA's assets, are set out in Managing Public Money published by the HM Treasury. As

noted above, Accounting Officer responsibilities were undertaken by the Acting Chief Executive from 18th November 2016.

So far as the Chief Executive and the Acting Chief Executive are aware, there is no relevant audit information of which the entity's auditors are unaware and the Chief Executive and the Acting Chief Executive have taken all the steps that they ought to have taken to make them aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

3.3 Governance Statement

This Governance Statement sets out the framework utilised by the HRA to regulate its activities and to ensure delivery of its functions and objectives. In addition to setting out the governance structure, it outlines;

- The way in which performance is managed and reviewed;
- The risk management processes; and
- The process for setting Directors Remuneration.

The HRA complies with the requirements of the Corporate Governance in Central Government Departments: Code of Good Practice (2011) insofar as they relate to public bodies.

The Accounting Officer has responsibility for maintaining a sound system of internal control that supports the achievement of the HRA's policies, aims and objectives, whilst safeguarding public funds and its assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

For the period reported in the Annual Report and Accounts, 01 April 2016 to 31 March 2017 the HRA had two Accounting Officers. Janet Wisely was Accounting Officer from 01 April 2016 to 18 November 2016 with Teresa Allen Accounting Officer from 18 November 2016. The Accounting Officer is accountable for the discharge of functions to the Authority's Board and ensuring appropriate arrangements are in place for the appropriate discharge of all statutory functions attached to the HRA. The HRA is aware of the findings from the Harris Report and ensures it has the capacity and capability to comply with the statutory functions.

The Accounting Officer is also accountable to the Minister of State at the DH. This line of accountability is managed through a Framework Agreement between the DH and the HRA, an Annual Accountability Review with the Minister through monthly reviews with officials at the DH and close working on a day-to-day basis between HRA staff and those in the DH Sponsor Branch.

i. Governance Structure

a) The Board

The HRA is governed by a Board that functions as a corporate decision-making body. The Board is composed of the Chair and four Non-Executive Directors (NEDs) and four executive directors (including the Chief Executive and subsequently the Acting Chief Executive).Since the Chief Executive handed over responsibility to the Acting Chief Executive, the fourth Executive Director post has remained vacant. The Board conforms to the recommendations set out in the Corporate Governance in Central Government Departments: Code of

Good Practice (2011). Other Non-voting directors (listed below) are required to attend the board meetings.

Nine public HRA Board meetings have been held between 01 April 2016 and 31 March 2017.

The Board membership attendance over the period was as follows: Professor Jonathan Montgomery (Chair) (attend 9 out of 9 meetings), Graham Clarke (NED) (9/9), Dr Allison Jeynes-Ellis (NED) (7/9), Professor Deirdre Kelly (NED) (7/9), Professor Nalin Thakkar (NED) (9/9), Dr Janet Wisely (Executive Director) (5/9), Teresa Allen (Executive Director – joined HRA September 2016) (5/5) Debbie Corrigan (Executive Director – left HRA October 2016) (4/6), Ian Cook (Executive Director) (8/9), Karen Williams (Executive Director – joined HRA January 2017) (2/2), Joan Kirkbride (Director – Non-voting) (7/9) Dr Janet Messer (Director – Non-voting) (8/9), Tom Smith (Director – Non-voting) (8/9).

Key areas of business considered by the Board, in addition to standing items over the reporting period such as finance reporting, key performance indicators and risk management, include:

- Developing the HRA's strategic direction and future plans;
- Considering performance reports related to HRA Approval;
- Considering of staff survey findings and management response;
- Reviewing NED portfolios;
- Consideration of Quality Management System principles;
- Organisational development and service improvement;
- Estates strategy refresh;
- Service Improvement Programme (SIP); and
- Consideration of changes to National Research Ethics Advisors Panel ways of working.

The Board is committed to improving its performance and effectiveness with seminars often held prior to the main Board meeting. Topics covered in these seminars include:

- Board effectiveness and governance;
- Themes from Stakeholder event;
- HRA Strategic plan including consideration of SWOT analysis, PEST analysis and Horizon scanning;
- HRA Staff Survey 2016 considerations; and
- Impact of Brexit.

The Board has started the work to revisit and refresh the strategic objectives for the HRA and to work with stakeholders on the development of the HRA's 3 - 5 year strategic plan, specifically considering how the HRA can build public confidence in health research with the plan anticipated for publication summer 2017.

The Board reviews a key performance indicator report on a quarterly basis. The report provides the Board with an overview of the RAG status of the HRA Business Plan 2016 -17 objectives plus detailed management information relating to these objectives.

Corporate level risks and their mitigation and management are considered via the HRA Corporate risk register on a quarterly basis by the Board. The Board will consider if the appropriate risks are captured on the register with the mitigations detailed appropriately and the strategic and reputational impacts discussed fully.

Declaration of interests are declared and formally recorded and all Board members' expenses are published.

The Board has two sub committees; the Audit and Risk Committee and the Pay and Remuneration Committee.

b) **Audit and Risk Committee**

The HRA Audit and Risk Committee has continued to deliver its role to advise the HRA's Accounting Officer and the HRA Board on risk management, corporate governance and assurance arrangements in the HRA.

The HRA Audit and Risk Committee has met four times during the period 01 April 2016 to 31 March 2017. The Committee membership attendance over the period was as follows: Graham Clarke (Chair, NED) (4/4), Professor Deirdre Kelly (NED) (4/4), Professor Nalin Thakker (NED) (4/4), Shelley Dolan (Audit and Risk Committee member) (0/1) (membership end date June 2016), Marc Taylor (Audit and Risk Committee member) (2/2) (membership start date October 2016).

In addition, individuals from the HRA, Health Group Internal Audit and the National Audit Office were invited and regularly attended the Committee.

This year, the Audit and Risk Committee reviewed the 2015 -16 annual report and accounts, including the consideration of related reports from auditors and an annual report on the activities and effectiveness of the Committee. The Terms of Reference, audit manual and audit timetable have all been reviewed and approved both for 2016 -17. The HRA Audit and Risk Committee regularly reviews the HRA Corporate Risk Register, Audit Reports, Corporate Gift and Hospitality Reports, Single Tender Actions and Loss and Compensation Reports.

An effectiveness audit of the Audit and Risk Committee took place in March 2015 with the recommendations, including a review of membership, timing of meetings and an increased focus on risk management, considered throughout the reporting period. A follow-on consideration of the effectiveness recommendations is planned for August 2017.

c) Pay and Remuneration Committee

The membership of the Pay and Remuneration Committee is made up of the Chair and NEDs with the Chief/ Acting Chief Executive normally invited to attend. The business conducted by the Pay and Remuneration Committee over the period includes:

i. Advising the Board about appropriate remuneration and terms of service for the Chief/Acting Chief Executive and any Directors on Very Senior Managers Terms and Conditions of Service to ensure they are fairly rewarded for their individual contribution to the Authority, having proper regard to the Authority's circumstances and performance and to the provisions of any national arrangements for such staff including:

    a. All aspects of salary (including any performance-related elements/bonuses);
    b. Provisions for other benefits, including pensions and cars; and
    c. Arrangements for termination of employment and other contractual terms.

ii. Having oversight in relation to remuneration and terms of service for those Directors and other staff who are covered under Agenda for Change terms and conditions who are direct line reports of the Chief / Acting Chief Executive;
iii. Proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate, advise on and oversee appropriate contractual arrangements for such staff; and
iv. Business continuity arrangements and risk assessment following the absence of the Chief / Acting Chief Executive.

The Committee met three times in the reporting period in order to deliver its functions for the HRA.

d) **HRA Leadership Team**

The HRA is committed to ensuring there are robust and transparent reporting frameworks in place, which are also proportionate and appropriate to the nature of the HRA business.

The Leadership Team (LT) is the senior executive decision making body of the HRA responsible for managing HRA business within agreed objectives, resources and according to the HRA / DH framework agreement and standing orders. The LT is accountable to the Chief Executive and from 18th November 2016, the Acting Chief Executive.

During the year, we reviewed the role of the leadership team to ensure it continued to meet the strategic and operational requirements of the organisation. As a result, changes have been implemented to improve communication, strategic discussion and collaborative working in this group and throughout the wider HRA.

ii. Effectiveness

The system of performance monitoring in place throughout the period is designed to ensure appropriate delegation and segregation of duties. The following sections describe the operation.

a) **The Risk and Control Framework**

The Board has overall responsibility for risk management and for clear lines of individual accountability for managing risk throughout the organisation. There is a Risk Management policy and procedure in place and the Board reviews the HRA Corporate Risk Register on a quarterly basis.

The HRA aims to maximise the impact of its operations within the resources available to it. In so doing it aims to manage risks at all levels in the organisation from the top strategic level to the bottom operational / project levels without dampening innovation, including the projects delivered by partner organisations. This requires consideration of a full cross section of risks to the organisation including; reputation risks, financial risks, organisational risks, health and safety risks and risks to the achievement of the organisation's objectives

In addressing issues relating to risk, the HRA seeks to be as transparent and open as possible and, through this approach, aims to identify and address those areas where there is a need for improvement in the risk management processes and / or controls and contingencies.

The Audit and Risk Committee is the Board's sub-committee that reviews risk and ensures that the systems are in place to ensure effective risk management. The Board retains overall responsibility for risk management and governance. There are clear lines of responsibility of individual accountability for managing risk throughout the Authority, leading up to the Board. I have delegated the day-to-day responsibility for maintaining the system of risk management and risk reporting to the Head of Corporate Governance.

As agreed in the Business Plan, senior managers lead on the objectives of the Authority and, as such, they are responsible for managing risk at the project delivery and day-to-day operational level, as well as those relating to transition planning. Each Directorate holds its own risk register and reviews it on a regular basis. The risk registers report the escalated risks and risk scores, risk owners, mitigating actions and due dates, as well as residual risk and assurances.

Any risks reaching agreed thresholds by the Director are raised to the LT who review each risk quarterly to determine whether the risk is significant enough to be added to the HRA Corporate Risk Register which is reviewed in a public session of the Board. The HRA also has a confidential corporate risk register for any risks which are confidential in nature and need to be reviewed by the Board in its private, part 2 session. The Corporate Risk Register is shared with the Audit and Risk Committee and DH sponsor team on a quarterly basis.

The Audit and Risk Committee reviews and ensures that systems are in place to ensure effective risk management. The Internal Audit function forms part of the review process and provides assurance on the risk management process, and advises the Audit and Risk Committee accordingly. A review of Risk Management by the Health Group Internal Audit Service took place in the reporting with a 'moderate' rating received.

The risks that have been considered and managed by the Board this year include:

- The roll out of HRA Approval with considerable external dependencies on the wider NHS, DH, devolved administrations and NIHR;
- The backlog of amendment workload relating to HRA Approval and the related reputational impact;
- The absence of the Chief Executive due to ill health and the transition to the Acting Chief Executive;
- The research community's (including the HRA's) significant reliance on our ICT infrastructure and the risk that this may be unavailable due to system failure or cyber-attack;
- The HRA website becoming out of date or containing inconsistent or inaccurate information;
- The extended remit to adult social care and unknowns regarding the current landscape and impact therefore on the HRA;
- The workload and the effective delivery of CAG functions; and
- The management of understanding of stakeholders and perceptions.

The majority of risks on the HRA Corporate Risk register related to HRA Approval following the completion of its roll out on 31st March 2016. The HRA Approval Programme Board provides assurance to the HRA Board regarding the progress of this key area of work. For the latest version of the HRA Corporate Risk Register please see the HRA Board page of the website.

b) **Quality Assurance**

We have given careful consideration to the requirements and coverage of the best practice guide 'The Aqua Book' produced by the working group set up following the Macpherson recommendations, as well as direct discussions with the modelling oversight committee within DH. With the endorsement of that committee we have confirmed that the HRA does not operate any business critical models. We have sought separate views on our broader quality assurance processes and to the extent they are able to comment, the modelling oversight committee has observed that the processes appear thorough and well developed. We are therefore fully compliant with the Macpherson recommendations.

c) **Information Governance**

The HRA has an established Information Governance structure:

- The Board has designated the Corporate Secretary as Senior Responsible Information Officer (SIRO) with responsibility for the system of safeguarding and protecting personally identifiable, confidential and sensitive data;
- The Information Governance Lead is also the Corporate Secretary;
- Ian Cook, Director of Corporate Services is the Caldicott Guardian with Sheila Oliver (Head of Research Ethics Service, England and a retired nurse clinician) taking within her role a formal responsibility for leading and advising on correspondence with patients and for providing support to the Caldicott Guardian as required; and
- Directors, REC Centre managers and Heads of Department are Information Asset Owners (IAOs) as appropriate.

The Information Governance Steering Group (IGSG) is a formal sub- committee of the leadership team. Its purpose is to coordinate, supervise and direct the work of others, as appropriate, to ensure the HRA maintains a coordinated approach to Information Governance. It meets four times annually and implements organisational and managerial structures that support appropriate consideration of Information Governance issues to sustain continual improvement.

Data security risks are managed and monitored within the overall risk management framework overseen by the Information Governance Lead and IGSG to ensure security threats are followed up and appropriately managed.

The key risks the IGSG has continued to address include:

- Unauthorised staff may access confidential information; and
- Organisational under-reporting of IG incidents.

All information assets and associated systems are identified and included in an Information Asset Register and are subject to annual information asset assessments. These assessments inform the Corporate and Information Risk Registers.

A Cyber Security Audit was undertaken in the autumn of 2016 resulting in a limited assessment. All recommendations have been addressed and closed.

No significant information incidents have occurred throughout 2016 - 17 resulting in a submission to the Information Commissioner.

d) **The System of Internal Control**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, which has been in place in the HRA for the period 01 April 2016 to 31 March 2017 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The leadership team, led by myself, reviews and monitors progress with other management groups providing input as required. These include a recruitment control panel and management groups specifically for the information systems we provide and major programmes (HRA Approval) or steering groups for significant projects (including the new policy framework).

Senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The assurance framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objective have been reviewed and this aspect of the Authority's activities has been subject to external review.

A Business Plan for 2017 - 18 is in the process of being developed and approved by the Board which will set out a clear purpose and business objectives for the HRA. Our controls assurance and risk management processes are closely aligned to the twin objectives of maintaining on-going activities and managing significant transition issues.

Reports are provided to the Board on a quarterly basis on achievements and progress against the objectives and plans, and this report includes risks and controls in place to mitigate them.

A change to the Accounting Officer role took place during the year following the absence due to ill health of the Chief Executive, Janet Wisely. To help manage potential control and risk issues arising from this situation, the HRA Board commissioned an independent review of the leadership team and its operation. In addition we reviewed and updated our business continuity plan and performed a comprehensive risk assessment. Our DH sponsor team was kept fully informed and appropriate actions have been taken to mitigate any potential risks identified. A formal handover of Accounting Officer responsibilities took place with a letter signed by the Chief Executive and countersigned by the Chair of the Board and the Chair of the Audit and Risk Committee. The handover letter provided a statement to confirm to the Acting Chief Executive that the system of internal control and assurance framework operating at the HRA are robust and sufficient for the HRA's activities and to confirm the steps undertaken by the HRA to mitigate the potential issues following the absence of the Chief Executive.

The effectiveness of the system of internal control has been, and continues to be, subject to review by our internal auditors who, in liaison with HRA management, plan and carry out a programme of work that has been approved by the Audit and Risk Committee which external audit attends, to review the design and operation of the systems of internal control.

Where weaknesses are identified, these are reported to the Audit and Risk Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

The Head of Internal Audit provides me with an opinion, in accordance with Public Sector Internal Audit Standards, on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the internal audit work.

Head of Internal Audit Opinion 2016 - 17

"My overall opinion is that I can give **moderate assurance** to the Accounting Officer that the HRA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2016 - 17".

e) Capacity to Handle Risk

The HRA Board has overall responsibility for risk management throughout the HRA. Its responsibilities include:

- Agreeing the Risk Management Policy;
- Assigning a Responsible Senior Manager with oversight of Risk Management and who is responsible for championing risk management at HRA;
- Ensuring risk management is embedded into all processes;
- Reviewing significant programme, strategic and operational / project risks;
- Reviewing critical risk management activities / controls and their verification; and
- Ensuring that the appropriate structure exists within the HRA to ensure risk management processes are effective at dealing with risks, controls, contingencies and action plans, including defined Audit and Risk Committee and people responsibilities.

Currently responsibilities are as follows:

- Ensuring all required risk management systems, policy and strategy and support are in place: Chief Executive, Acting Chief Executive, Director of Finance, Head of Corporate Governance;
- Scheduling and facilitating Internal Audit activities: Director of Finance, Head of Corporate Governance;
- Regularly reviewing and following-up risk management activities with all parties. This will include ensuring the verification / assurance of risk management activities and key controls/contingencies: Head of Corporate Governance;
- Writing the Governance Statement: Chief Executive, Acting Chief Executive, Director of Finance and Head of Corporate Governance
- Ensuring the appropriate risk structure is in place including the Audit and Risk Committee: Head of Corporate Governance; and
- Monitoring risk performance. As part of the routine progress reports the Audit and Risk Committee receives information on the risk performance in terms of the current risk profile, risk management activity performance, and implementation and verification of risk management controls and contingencies: Head of Corporate Governance

iii. Compliance with NHS Pension Scheme Regulations

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer contributions and payments into the Scheme are in

accordance with the Scheme rules and that member Pension scheme records are accurately updated in accordance with the timescales detailed in regulations.

iv. Summary

The HRA has delivered a substantive programme of work this year to improve the framework and processes for the approval and management of health research in the NHS. This has involved collaboration with others to achieve our continued aim of making the UK a great place to do research whilst building confidence and participation in health research and so improve the nation's health. Core services have been maintained with key performance indicators achieved. The HRA has demonstrated the effective delivery of governance requirements with all key corporate governance functions being managed effectively, robustly and efficiently.

Teresa Allen
Acting Chief Executive
Health Research Authority
14 June 2017

3.4 Remuneration and Staff Report

i. Remuneration Policy

The Chairman and Non-Executive Director Board members are remunerated in line with DH guidance that applies to all NHS bodies. Details of the senior managers' remuneration are given below in section 3.4.ii. Pay for one Executive is set and reviewed in line with the DH guidance 'Pay Framework for Very Senior Managers (VSM) in Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts. Senior managers employed under the VSM framework are under stated contracts of employment as set out by NHS Employers.

Pay for the other Executives employed and contained in the report is set and reviewed in line with Agenda for Change terms and conditions.

All those contained in the senior managers remuneration table below are subject to annual appraisals on their performance.

ii. Remuneration and Pension for Directors (subject to audit)

The first table below represents the 12 month remuneration to 31st March 2017. The second table presents the 15 month remuneration for the period 1st January 2015 to 31st March 2016, which was the first reporting period for the Health Research Authority on transferring from being a Special Health Authority to becoming a Non Departmental Public Body, with a footnote to detail the annualised salaries for the 12 month period 1 April 15 – 31 March 16).

	Salaries and Allowances			
	12 months to 31 March 2017			
Name and Title of Directors	**Salary (bands of £5,000)**	**Other Remuneration (bands of £5,000)**	**All Pension related benefits (bands of £2500)**	**Total (bands of £5,000)**
	£000	**£000**	**£000**	**£000**
Non-Executive Directors				
Jonathan Montgomery, Chairman	45 - 50	0	0	45 - 50
Allison Jeynes-Ellis, Non-Executive Director	5 - 10	0	0	5 - 10
Graham John Clarke, Non-Executive Director and Audit Chair	10 - 15	0	0	10 - 15
Deirdre Kelly, Non-Executive Director	5 - 10	0	0	5 - 10
Nalin Thakker, Non-Executive Director	5 - 10	0	0	5 - 10
Directors				
Janet Wisely, Chief Executive	130 - 135	0 - 5	0	130 - 135
Teresa Allen, Interim Assistant Chief Executive (from 22 August 2016 - 17 November 2016) (Note 1) (*)	20 - 25	0	2.5 - 5.0	25 - 30
Teresa Allen, Acting Chief Executive (from 18 November 2016) (Note 1) (*)	30 - 35	0	5.0 - 7.5	35 - 40
Deborah Corrigan Director of Finance, Procurement and Estates (to 30 September 2016) (*)	30 - 35	0	5.0 - 10.0	35 - 40
Joan Kirkbride, Director of Operations	90 - 95	0	22.5 - 25.0	110 - 115
Tom Smith, Director of Quality, Guidance and Learning	60 - 65	0	37.5 - 40.0	100 - 105
Ian Cook, Director of Corporate Services	85 - 90	0	7.5 - 10.0	95 - 100
Janet Messer, Director of Research Systems, Standards and HRA Approval	75 - 80	0	27.5 - 30.0	105 - 110
Karen Williams, Director of Finance, Procurement and Estates (from 5th January 2017) (*)	20 - 25	0	7.5 - 10	30 - 35

(*) Annualised salaries Teresa Allen (£85k - £90k); Deborah Corrigan (£70k - £75k); Karen Williams (£95k – 100k)

Note 1: Teresa Allen, Acting Chief Executive, is seconded to the Health Research Authority on a full time basis. She is employed by NHS Blood and Transplant, who recharge the Health Research Authority for her services. The figures in the table represent the remuneration for Teresa and not the total charge to the HRA which would include on costs. Details of her remuneration are not included within the Annual Report of NHS Blood and Transplant.

	Salaries and Allowances			
	15 months to 31 March 2016 (* Annualised 12 month salaries 1 April 15 - 31 March 16)			
Name and Title of Directors	**Salary (bands of £5,000)**	**Other Remuneration (bands of £5,000)**	**All Pension related benefits (bands of £2500)**	**Total (bands of £5,000)**
	£000	**£000**	**£000**	**£000**
Non-Executive Directors				
Jonathan Montgomery, Chairman (*)	55 - 60	0	0	55 - 60
Allison Jeynes-Ellis, Non-Executive Director (*)	5 - 10	0	0	5 - 10
Graham John Clarke, Non-Executive Director and Audit Chair (*)	15 - 20	0	0	15 - 20
Deirdre Kelly, Non-Executive Director (*)	5 - 10	0	0	5 - 10
Nalin Thakker, Non-Executive Director (*)	5 - 10	0	0	5 - 10
Directors				
Janet Wisely, Chief Executive (*)	160 - 165	5 - 10	0	170 - 175
Teresa Allen, Acting Chief Executive (from 22 August 2016)	N/A	N/A	N/A	N/A
Deborah Corrigan Director of Finance, Procurement and Estates (to 30 September 2016) (*)	95 - 100	0	35 - 37.5	130 - 135
Joan Kirkbride, Director of Operations (*)	110 - 115	0	20 - 22.5	130 - 135
Tom Smith, Director of Quality, Guidance and Learning (*)	75 - 80	0	32.5 - 35	110 -115
Ian Cook, Director of Corporate Services (*)	105 - 110	0	30 - 32.5	135 - 140
Janet Messer, Director of Research Systems, Standards and HRA Approval (*)	90 - 95	0	37.5 - 40	125 - 130
Karen Williams, Director of Finance, Procurement and Estates (from 5 January 2017)	N/A	N/A	N/A	N/A

(*) Jonathan Montgomery (£45k - 50k); Graham Clarke (£10k - £15k); Allison Jeynes-Ellis (£5k - £10k); Deirdre Kelly (£5k - £10k); Nalin Thakker (£5k - £10k); Janet Wisely (£135k - £140k); Deborah Corrigan(£75k - £80k); Joan Kirkbride (£85k - 90k); Tom Smith (£60k - £65k); Ian Cook (£80k - £85k); Janet Messer (£70k - £75k)

	Pension Benefits			
Name and Title	**Real Increase in pension at pension age (bands of £2,500)**	**Real increase in pension lump sum at pension age (bands of £2500)**	**Total accrued pension at pension age at 31 March 2017 (bands of £5,000)**	**Lump sum at pension age related to accrued pension at 31 March 2017 (bands of £5,000)**
	£000	**£000**	**£000**	**£000**
Teresa Allen, Acting Chief Executive (from 22 August 2016)	0 - 2.5	0 - 2.5	30 - 35	95 - 100
Deborah Corrigan Director of Finance, Procurement and Estates (to 30 September 2016)	0 - 2.5	0 - 2.5	20 - 25	55 - 60
Karen Williams, Director of Finance, Procurement and Estates (from 5 January 2017)	0 - 2.5	0	0 - 5	0
Joan Kirkbride, Director of Operations	0 - 2.5	2.5 - 5.0	35 - 40	115 - 120
Tom Smith, Director of Quality, Guidance and Learning	0 - 2.5	2.5 - 5.0	10 - 15	35 - 40
Janet Messer, Director of Research Systems, Standards and HRA Approval	0 - 2.5	0 - 2.5	10 - 15	30 - 35
Ian Cook, Director of Corporate Services	0 - 2.5	0	0 - 5	0

	Pension Benefits (continued)				
Name and Title	Cash Equivalent Transfer Value at 31 March 2017	Cash Equivalent Transfer Value at 31 March 16	Real Increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension	Total pension entitlement at 31 March 2017 (Bands of £5,000)
	£000	£000	£000	£000	£000
Teresa Allen, Acting Chief Executive (from 22 August 2016)	708	674	21	0	130 - 135
Deborah Corrigan Director of Finance, Procurement and Estates (to 30 September 2016)	374	354	10	0	80 - 85
Karen Williams, Director of Finance, Procurement and Estates (from 5 January 2017)	18	0	4	0	0 - 5
Joan Kirkbride, Director of Operations	880	823	57	0	155 - 160
Tom Smith, Director of Quality, Guidance and Learning	217	177	40	0	50 - 55
Janet Messer, Director of Research Systems, Standards and HRA Approval	222	192	30	0	40 - 45
Ian Cook, Director of Corporate Services	32	19	13	0	0 - 5

Notes:

(1) Janet Wisely, Chief Executive, is not currently a member of the NHS Pension Scheme.

(2) NHS Pensions did not provide a lump sum figure for senior managers who only have membership in the 2015 or 2008 section, unless they chose to move their 1995 section benefits under the Choice option.

iii. Cash Equivalent Transfers

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosures applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute of Faculty of Actuaries.

iv. Fair Pay Disclosures (subject to audit)

Reporting Bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisations workforce, including temporary staff.

The remuneration of the highest paid Director in the HRA in the period 01 April 2016 to 31 March 2017 was 4.84 times the median remuneration of the workforce, which was £27,361. The ratio has decreased slightly compared to the 15 month period to the 31 March 2016.

	As At 31 March 2017	**15 months to 31 March 2016**
Band of Highest Paid Directors Total Remuneration (£000's) annualised	130 – 135	130 – 135
Lowest pay range	15 – 20	10 – 15
Median Total	27,361	27,090
Remuneration ratio	4.84	4.89

There were no staff employed by the HRA who received remuneration at a higher level than the highest paid director.

v. Staff Report

a. Exit Packages (subject to audit)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total cost of exit packages by cost band (£000)
<£20,001	0	0	0
£20,001 - £40,000	0	1	20
£40,001 - £100,000	0	0	0
£100,001 - £150,000	0	0	0
£150,001 - £200,000	0	0	0
£200,001 - £250,000	0	0	0
£250,001 - £300,000	0	0	0
£300,001 - £350,000	0	0	0
Total number and cost of exit packages	**0**	**1**	**20**

There are no redundancy costs for the period to 31 March 2017. The exit package relates to payment in lieu of notice and annual leave within contractual arrangements.

b. Analysis of Staff Costs (subject to audit)

	31 March 2017			15 months to 31 March 2016
	Total	**Permanently employed**	**Other**	Total
	£000	**£000**	**£000**	£000
Salaries and wages	**7,177**	6,400	777	8,586
Social security costs	**640**	640	0	576
Employer contributions to NHSPA	**809**	809	0	878
Total	**8,626**	**7,849**	**777**	10,040

The costs and average numbers of staff include the costs of staff employed by other NHS bodies that are recharged to the HRA. These are included within the 'Other' column. These figures include social security costs and employer contributions to the NHSPA.

The average number of persons employed during the period (subject to audit)

	31 March 2017			15 months ended 31 March 2016
	Total Number	**Permanently Employed Number**	**Other Number**	**Total**
Total	**203**	**190**	**13**	**180**

Expenditure on staff benefits

There was no expenditure made on staff benefits in the period to the 31st March 2017 (period to 31 March 2016 - £0)

Retirements due to ill health

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There were no such retirements in the period to 31 March 2017 (period to 31 March 2016 - £0). This information has been supplied by NHS Pensions.

Pension Costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

Accounting Valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017 is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

c. Off payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, the Health Research Authority must publish the following tables of information on their highly paid and / or senior off-payroll engagements**.**

Table 1: For all off-payroll engagements as at 31 March 2017, for more than £220 per day and that last longer than six months:	
	Number
Number of existing engagements as of 31 March 2017	4
Of which, the number that have existed:	
for less than one year at the time of reporting	3
for between one and two years at the time of reporting	0
for between 2 and 3 years at the time of reporting	1
for between 3 and 4 years at the time of reporting	0
for 4 or more years at the time of reporting	0

The HRA can confirm that all existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and where necessary, that assurance has been sought.

Table 2: For all new off-payroll engagements between 1 April 2016 and 31 March 2017, for more than £220 per day and that last longer than six months:	
	Number
Number of new engagements, or those that reached 6 months in duration, between 1 April 2016 and 31 March 2017	3
Number of new engagements which include contractual clauses giving the HRA the right to request assurance in relation to income tax and National Insurance obligations	2
Number for whom assurance has been requested	3
Of which:	
Assurance has been received	3
Assurance has not been received	0
Engagements terminated as a result of assurance not being received	0
Number of off payroll engagements of board members, and/or senior officers with significant financial responsibility during the year	1
Number of individuals that have been deemed “board members, and/or senior officers with significant financial responsibility” during the financial year. This figure includes both off payroll and on-payroll engagements	12

d. Consultancy expenditure

The Health Research Authority spent £36,818 on consultancy for the 12 month period to the 31 March 2017. This was for procurement advice, legal advice and organisation and change management.

e. Staff Composition

2017 (as at 31/03/17)	Male	Female	Ethnicity	Disability	Age Range
On payroll	56 26.9%	152 73.1%	of those 51 (24.5%) declared (Non White British)	of those 10 (4.8%) declared	Under 20 = 0 (0%) 20 – 29 = 51 (24.5%) 30 – 39 = 70 (33.7%) 40 – 49 = 42 (20.2%) 50 – 59 = 31 (14.9%) 60 and above =

NB: percentages are of all staff

	Male	Female	Total
Directors	2 (33.3%)	4 (66.7%)	6
Other Senior Managers	15 (41.7%)	21 (58.3%)	36
Employees	39 (23.5%)	127 (76.5%)	166

f. Sickness Absence Data

Statistics Produced by HSCIC from Electronic Staff Record (ESR) Data Warehouse		
Quarterly Sickness Absence Publications	Monthly Workforce Publication	
Average FTE 2016-17 189	FTE-Days Lost to Sickness Absence 1,585	Average Sick Days per FTE 8.4
Source: NHS Digital - Sickness Absence Publication - based on data from the ESR Data Warehouse		
Period covered: January to December 2016		
Data items: ESR does not hold details of normal number of days worked by each employee. (Data on days lost and days available produced in reports are based on a 365-day year.)		
The number of FTE-days lost to sickness absence has been estimated by multiplying the estimated FTE-days available by the average sickness absence rate.		
The average number of sick days per FTE has been estimated by dividing the estimated number of FTE-days sick by the average FTE.		
Sickness absence rate is calculated by dividing the sum total sickness absence days (including non-working days) by the sum total days available per month for each member of staff).		

g. Staff Policies

No.	Harmonised HR policies
1	HRA Adoption policy and procedure
2	HRA Annual Leave policy and procedure
3	HRA Dress Code policy and procedure
4	HRA Flexible Working policy and procedure
5	HRA Grievance and Disputes policy and procedure
6	HRA Lone Worker policy and procedure
7	HRA Maternity policy and procedure
8	HRA Paternity policy and procedure
9	HRA Prevention of Bullying and Harassment policy and procedure
10	HRA Sickness Absence Management policy and procedure
11	HRA Raising Concerns policy and procedure
12	HRA Home Working policy and procedure
13	HRA Probationary Review policy and procedure
14	HRA Disciplinary policy and procedure
15	HRA Capability policy and procedure
16	HRA Appeals policy and procedure
17	HRA Organisational Change policy and procedure
18	HRA Recognition of Service policy and procedure
19	HRA Special Leave policy and procedure
20	HRA Pay Protection policy
21	HRA Recruitment & Selection of Staff policy
22	Shared Parental Leave NHS Business Services Authority (NHSBSA) policy for HRA use)

All HRA policies include provision for making reasonable adjustments for disabled staff.

h. Pension Liabilities

Past and present employees of the HRA are covered by the provisions of the NHS Pensions Scheme. Section 3.4 b of the annual report presents how pension liabilities have been treated.

3.5 Parliamentary Accountability and Audit report

i. Regularity of Expenditure (subject to audit)

The HRA achieved its financial targets and remained within its revenue resource limit during the year ended 31 March 2017. The majority of our funding 95% comes from grant-in-aid from the Department of Health. The remaining income comes from the Devolved Administrations in support of the HRA's role in facilitating a UK wide system of ethical review. In addition to our revenue funding, the HRA received £910k capital funding from the Department of Health.

Revenue expenditure 2016/17 and 2015/16

Total expenditure in 2016/17 was £12,936k (£12,960k in 2015/16), which resulted in an underspend of £325k, 2%, against a total revenue resource limit of £13,260k. This underspend arose due to savings generated through renegotiation of contracts, some unplanned vacancies in the year, continued careful financial management together with a couple projects, website and collaboration with Human Tissue Authority planned for 2016/17 shifting into 2017/18.

	2016/17 (12 months)			2015/16 (12 months equivalent)		
Expenditure made up of:	Actual	Budget	Under / (over)	Actual	Budget	Under / (over)
	£000	£000	£000	£000	£000	£000
Pay	8,714	8,822	108	8,195	8,534	339
Non-pay	3,812	3,989	177	4,512	5,072	560
Sub-total	**12,526**	**12,811**	**285**	**12,707**	**13,606**	**899**
Depreciation	410	450	40	253	283	30
Total expenditure	**12,936**	**13,261**	**325**	**12,960**	**13,889**	**929**
Funded by:						
Grant in aid	12,755	13,080	325	12,762	13,693	931
Devolved administrations	176	176	0	196	196	0
Other	5	5	0	2	0	(2)
Total funding	**12,936**	**13,261**	**325**	**12,960**	**13,889**	**929**

Capital expenditure

Capital expenditure totalled £770k during 2016/17 (£870k in 2015/16) compared to a budget of £910k (£1,060k in 2015/16). The majority of these costs relate to the continued investment and development of our research systems, IRAS and HARP (£705k). In 2016/17 £65k was also invested in the rolling replacement of PCs as part of our ICT infrastructure programme.

ii. Remote Contingent Liabilities (subject to audit)

The HRA did not have any remote contingent liabilities.

iii. Long-term Expenditure Trends

We recognise we are operating in a challenging economic climate but we consider that we are well placed to continue to manage resources and deliverables in line with the requirements of anticipated future funding settlements and the recent spending review. Expenditure will be reviewed regularly as part of the efficient management of the organisation.

The operating expenditure of the HRA will continue to be met largely through GIA from DH.

iii. Losses and Special Payments (subject to audit)

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). This note is compiled directly from the losses and special payments register.

For the period to the 31st March 2017, the authority had no losses to report. (31 March 2016: £0)

Teresa Allen
Acting Chief Executive
Health Research Authority
14 June 2017

i. The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Health Research Authority for the year ended 31 March 2017 under the Care Act 2014. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor
As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Care Act 2014. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Health Research Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Health Research Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity
In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements
In my opinion:

- the financial statements give a true and fair view of the state of Health Research Authority's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Care Act 2014 and Secretary of State directions issued thereunder.

Opinion on other matters
In my opinion:
- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Care Act 2014; and
- The information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception
I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report
I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 22 June 2017

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

4.0 The Accounts of the Health Research Authority for 12 months to March 2017

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

	Notes	**Year to 31 March 2017**	15 months to 31 March 2016
		£'000	£'000
Administration			
Expenditure			
Staff Costs	4	**8,714**	**10,150**
Amortisation and Depreciation	4	**410**	**297**
Other Expenditure	4	**3,812**	**5,817**
		12,936	**16,264**
Income			
Income from Activities	5	**181**	**331**
		181	**331**
Net Expenditure for the period		**12,755**	**15,933**

The notes on pages 43 to 56 form part of these accounts.

Statement of Financial Position As at 31 March 2017

	Notes	As at 31 March 2017	As at 31 March 2016
		£'000	£'000
Non-Current Assets			
Information Technology Assets	6.1	**83**	**51**
Intangible Assets	6.2	**1,769**	**1,459**
Total non-current assets		**1,852**	**1,510**
Current assets			
Trade and other receivables	7	**198**	**270**
Cash and cash equivalents	8	**3,496**	**3,485**
Total current assets		**3,694**	**3,755**
Total Assets		**5,546**	**5,265**
Current Liabilities			
Trade and other payables	9	**993**	**1,296**
Total current liabilities		**993**	**1,296**
Non-current assets less net current liabilities		**4,553**	**3,969**
Assets less liabilities		**4,553**	**3,969**
Taxpayers' Equity			
General Fund		**4,553**	**3,969**
Total Taxpayers' Equity		**4,553**	**3,969**

The notes on pages 43 to 56 form part of these accounts

The financial statements on pages 39 to 42 were signed on behalf of the Health Research Authority by:

Acting Chief Executive
14 June 2017

Statement of Cash Flows for the year ended 31 March 2017

	Notes	**Year to 31 March 2017**	15 months to 31 March 2016
		£'000	£'000
Cash flows from operating activities			
Net expenditure for the period after interest		**(12,755)**	(15,933)
Adjustments amortisation and depreciation	4	**410**	297
Decrease/(Increase) in trade and other receivables	7	**72**	(87)
(Decrease) in trade payables	9	**(303)**	(118)
Loss on disposal of property, plant & equipment		**18**	0
Net cash (outflow) from operating activities		**(12,558)**	(15,841)
Cash flows from investing activities			
Purchase of plant, property and equipment	6.1	**(65)**	**0**
Purchase of intangible assets	6.2	**(705)**	**(976)**
Net cash (outflow) from investing activities		**(770)**	(976)
Cash flows from financing activities			
Net Parliamentary funding		**13,339**	**17,908**
Net financing		**13,339**	17,908
Net increase in cash and cash equivalents		**11**	1,091
Cash and cash equivalents at the beginning of the period		**3,485**	2,394
Cash and cash equivalents at the end of the period	8	**3,496**	3,485

The notes on pages 43 to 56 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	General Fund £'000	Total Reserves £'000
Balance as at 31 December 2014	1,994	1,994
Net Expenditure to 31 March 2016	(15,933)	(15,933)
Total recognised income and expenditure for the period	**(15,933)**	**(15,933)**
Parliamentary funding for resources for the 15 months to 31 March 2016	**17,908**	**17,908**
Total Parliamentary Funding from Department of Health	**17,908**	**17,908**
Balance as at 31 March 2016	**3,969**	**3,969**
Net Expenditure to 31 March 2017	(12,755)	(12,755)
Total recognised income and expenditure for the year	**(12,755)**	**(12,755)**
Parliamentary funding for resources to 31 March 2017	13,339	13,339
Total Parliamentary Funding from Department of Health	**13,339**	**13,339**
Balance as at 31 March 2017	**4,553**	**4,553**

The notes on pages 43 to 56 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared in line with directions issued by the Secretary of State, under the Care Act 2014 and in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Health Research Authority has been selected for the purpose of giving a true and fair view. The particular policies adopted by the Health Research Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts. There have been no revisions of estimation techniques.

Accruals are estimated based on available documentation, advice from management and from information gained from similar previous events and are the best estimate at the date of these financial statements.

Asset useful economic lives are reviewed at least annually. The basis for estimating useful economic life include experience of previous similar assets, the condition and performance of the asset and the knowledge of technological advances and obsolescence.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury. On the 1st January 2015 the HRA became a Non Departmental Public Body. The main source of funding continues to be from the Department of Health. These accounts are for the 12 month period to 31st March 2017. The comparative figures are for the 15 month period to the 31st March 2016, following the HRA changing its legal status from a Special Health Authority to a Non Departmental Public Body from the 1st January 2015.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Non Department Public Body is Parliamentary grant from the Department of Health, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges for services provided to the Devolved

Administrations, as well as income from NHS and non NHS organisations. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

The HRA is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to a fixed asset.

1.4 Tangible assets – information technology

(a) Capitalisation

Information technology which is capable of being used for more than one year are capitalised when:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

(b) Valuation

Information technology assets are capitalised initially at cost. They are carried on the Statement of Financial Position at cost net of depreciation and impairment, or at depreciated replacement cost where materially different.

These assets have not been revalued in the accounts due to their low value and short economic life.

(c) Depreciation

IT assets are depreciated evenly over their expected useful life:

	Years
Tangible information technology	5
Laptops	4

(d) Assets under construction

Assets are held under construction where the assets have not been built to specification and distributed to staff for their use.

1.5 Intangible Assets

(a) Capitalisation

Intangible assets are capitalised initially at cost.

(b) Valuation

Intangible assets are carried in the Statement of Financial Position at cost net of amortisation and impairment, or at amortised replacement cost where materially different. These assets have not been revalued in the accounts due to their short economic life. They are carried on the Statement of Financial Position at cost net of amortisation and impairment, or at amortised replacement cost where materially different.

(c) Amortisation

Amortisation is charged on each individual component of intangible assets. Other than while under construction, all intangible assets are amortised.

Intangible assets are currently grouped under Information Technology and the lives of these assets are assessed as set out below. They are amortised on a straight line basis over the estimated lives of the assets.

Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.

	Years
Software Licences	3 - 5
Bespoke Software licence	7
Intangible Information Technology	5 to 7

(d) Assets under construction

Assets are held under construction where development work has been undertaken but further work is required to bring the assets into use.

1.6 Cash and Cash Equivalents

Cash is the balance held with the Government Banking Service. The Health Research Authority does not hold any petty cash.

1.7 Employee Benefits

Short term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period and employee records support this.

Retirement benefit costs

Past and present employees are covered by the provisions of the two NHS Pensions Schemes. The schemes are an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The schemes are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Authority commits itself to the retirement, regardless of the method of payment.

1.8 Leases

All leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Where arrangements are in place that imply a lease arrangement the costs have been charged as an expense on a straight-line basis and disclosed as part of note 11.

Contingent rentals are recognised as an expense in the period in which they are incurred.

1.9 Financial Instruments

Financial Assets

Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The HRA's receivables comprise: cash at bank and in hand, NHS Receivables, prepayments and accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Net Comprehensive Expenditure.

Financial Liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired. The Authority's financial liabilities comprise: NHS Payables, other payables and accruals.

1.10 IFRS Disclosure

IFRS's, amendments and interpretations in issue but not yet effective or adopted

The following is a list of changes to IFRS that have been issued but which were not effective in the reporting period.

- IFRS 15 Revenue from Contracts
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Account
- IFRS 16 Leases

These would have no material impact on the HRA financial statements.

2. Analysis of net expenditure by segment

The Health Research Authority currently reports the financial information to the Board as one segment and therefore no segmental analysis is disclosed.

3. Staff numbers and related costs

The tables for the staff numbers and staff costs and other related costs are included on page 30 within the staff report of the Remuneration report section.

4. Expenditure

The Health Research Authority costs all relate to administration costs

	Note		Year to 31 March 2017 £'000		15 months to 31 March 2016 £'000
Non-executive members' remuneration			88		110
Other salaries and wages			7,177		8,586
Social security costs			640		576
Pension costs			809		878
Total staff costs			**8,714**		**10,150**
Supplies and services - general			358		442
Establishment expenses			1,089		1,780
Transport and moveable plant			4		11
Premises and fixed plant			2,255		3,429
Auditors' remuneration: (*) Audit fees			35		35
Miscellaneous			53		120
Loss on disposal of assets			18		0
Total other expenditure			**3,812**		**5,817**
Capital: depreciation	6.1	15		27	
amortisation	6.2	395		270	
Total depreciation and amortisation			**410**		**297**
Total expenditure			**12,936**		**16,264**

(*) The Audit Fee for the 12 month period to the 31 March 2017 is £35,000 (15 month period to 31 March 2016 £35k).

The HRA did not make any payments to external audits for non-audit work

4.1 Better Payment Practice Code – measure of compliance

	Year to 31 March 2017 Number	15 months to 31 March 2016 Number
Total Non-NHS trade invoices paid in the year	**3,993**	5,240
Total Non-NHS trade invoices paid within target	**3,904**	5,160
Percentage of Non-NHS trade invoices paid within target	**97.8**	98.5
Total NHS trade invoices in the year	**254**	405
Total NHS trade invoices paid within target	**245**	386
Percentage of NHS trade invoices paid within target	**96.5**	95.3

5. Operating Revenue

	Year to 31 March 2017 £'000	15 months to 31 March 2016 £'000
Administration		
Fees & charges to external customers	**0**	**3**
Income received from Scottish Parliament	**88**	**130**
Income received from National Assembly for Wales	**58**	**87**
Income received from Northern Ireland Assembly	**30**	**44**
Income received from other Departments	**5**	**67**
Total Administration revenue	**181**	**331**

6. Non-Current Assets

6.1 Tangible assets - Information Technology

	Information Technology £'000	Assets under construction £'000	Total As at 31 March 2017 £'000
Cost or valuation at 1 April 2016	111	0	111
Additions - purchased (*)	3	62	65
Disposals	(47)	0	(47)
Gross cost as at year to 31 March 2017	67	62	129
Depreciation			
Accumulated depreciation at 1 April 2016	60	0	60
Charged during the year	15	0	15
Depreciation on disposal	(29)	0	(29)
Accumulated depreciation as at year to 31 March 2017	46	0	46
Net book value as at 31 March 2016	51	0	51
Net book value as at year to 31 March 2017	21	62	83

	Information technology £'000	Total £'000
Cost or Valuation at 1 January 2015	111	111
Gross cost as at 31 March 2016	111	111
Depreciation		
Accumulated depreciation at 1 January 2015	33	33
Charged during the 15 month period	27	27
Accumulated depreciation as at 31 March 2016	60	60
Net book value at 31 December 2014	78	78
Net book value as at 31 March 2016	**51**	**51**

6.2 Intangible Assets

	Assets under construction	Software licences	Information technology	Total As at 31 March 2017
	£'000	£'000	£'000	£'000
Gross Cost at 1 April 2016	153	540	2,115	2,808
Additions - purchased	64	0	641	705
Transfers	(153)	0	153	0
Gross cost as at Year to 31 March 2017	64	540	2,909	3,513
Amortisation				
Accumulated amortisation at 1 April 2016	0	216	1,133	1,349
Charged during the year	0	108	287	395
Accumulated amortisation as at Year to 31 March 2017	0	324	1,420	1,744
Net book value as at Period to 31 March 2016	153	324	982	1,459
Net book value as at Year to 31 March 2017	64	216	1,489	1,769

	Assets under construction	Software licences	Information technology	Total As at 31 March 2016
	£'000	£'000	£'000	£'000
Gross Cost at 1 January 2015	0	540	1,292	1,832
Additions – purchased	153	0	823	976
Gross cost as at Period to 31 March 2016	153	540	2,115	2,808
Amortisation				
Accumulated amortisation at 1 January 2015	0	81	998	1,079
Charged during the 15 months	0	135	135	270
Accumulated amortisation as at Period to 31 March 2016	0	216	1,133	1,349
Net book value as at 31 December 2014	0	459	294	753
Net book value as at 31 March 2016	**153**	**324**	**982**	**1,459**

7. Trade Receivables

Amounts falling due within one year

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade Receivables	**9**	52
Other receivables	**77**	84
Accrued income and prepayments	**112**	134
Trade and other receivables	**198**	270

8. Cash and Cash Equivalents

	Year to 31 March 2017 £'000	15 months to 31 March 2016 £'000
Opening balance	**3,485**	2,394
Net change in period	**11**	1,091
Total	**3,496**	**3,485**
Comprising:		
Held with office of Government Banking Service	3,496	3,485
Balance at period end	**3,496**	3,485

9. Trade Payables

Amounts falling due within one year

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade payables	**161**	263
Accruals and deferred income	**832**	1,033
Trade and other payables	**993**	1,296
Total Trade Payables and other current liabilities	**993**	1,296

10. Capital Commitments

At 31 March 2017, the HRA has 2 years remaining on a 3 year contract for the development of the HARP and IRAS systems which are essential to the delivery of the HRA's statutory obligations. There is an option to extend this contract for a further 2 years. The remaining value of the contract for the 4 years is £2,401,980. At the 31 March 2017, there is no capital commitment legally in relation to the contract, although we are required to give 3 months' notice if we wish to cancel the contract. (31 March 2016 £3,123,600 – 5 year contract; £721,620 capital commitment relating to the first year of work)

11. Commitments under leases

Operating Leases

There is an implied lease between the HRA and the DH for the Authority's occupation of Skipton House. There is no formal agreement relating to the lease but there is a Civil Estate Occupancy Agreement with the authority / memorandum of term of occupation for use between crown bodies. This expired in December 2016 and the HRA currently has a security of tenure until December 2017, whilst negotiations continue to extend the lease period. The commitments below include only those costs to December 2017 as negotiations have not yet been finalised. The HRA have also agreed leases for offices in Nottingham, Bristol and Manchester.

Total future minimum lease payments under this implied operating lease are given in the table below for each of the following periods.

	Year to 31 March 2017 £'000	15 months to 31 March 2016 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	354	274
Later than one year and not later than five years	464	284
Later than five years	0	0
	818	558

12. Other Financial Commitments

The Health Research Authority entered into a 6 year contract on 1 April 2012 relating to the provision of financial and accounting and payroll services. This contract is due to end on the 31 March 2018. The annual cost of the contract is £170,000. The Health Research Authority entered into a contract on 24 February 2016 relating to the maintenance of the HARP and IRAS system and the provision of a helpdesk for these systems. The contract is for 5 years, with a notice period of 3 months after the initial year of the contract.

	Year to 31 March 2017 £'000	15 months to 31 March 2016 £'000
Not later than one year	290	285
Later than one year and not later than five years	360	645
	650	930

13. Losses and Special Payments

The details of the Health Authority losses and special payments can be found on page 36 in the Parliamentary Accountability and Audit report section of the annual report.

14. Related Party Transactions

The Health Research Authority is an NDPB established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Health Research Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

The Health Research Authority has considered materiality in line with the manual for accounts guidelines for agreeing creditor and debtor balances (£100k) and income and expenditure balances (£100k).

	Receivables As at 31 March 2017 £'000	Payables As at 31 March 2017 £'000	Income Year to 31 March 2017 £'000	Expenditure Year to 31 March 2017 £'000
Department of Health	0	258	0	826
NHS Blood and Transplant	0	34	0	183

No Board Member, senior manager or other related parties has undertaken any material transactions with the Health Research Authority during the year.

15. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on 22 June 2017.

16. Financial Instruments

Financial Risk Management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Authority are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Health Research Authority's expected

purchase and usage requirements and the Health Research Authority is therefore exposed to little credit, liquidity or market risk.

Supplier Risk

The Health Research Authority operates within both the NHS and non-NHS market for the supplies of goods and services.

The aged creditor report for NHS and non-NHS payables at the reporting date was:

	£000
Not past due	145
Past due 0-30 days	12
Past due 31-120 days	(1)
More than 121 days	5

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