

Health Research Authority
**Annual Report and
Accounts 2019/20**



Health Research Authority **Annual Report and Accounts 2019/20**

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Performance Report

This section provides an overview of the Health Research Authority and our work. This includes our purpose, the key risks we face and a summary of the key activities we have undertaken in the past year to meet our three strategic aims. For more details about how we have delivered against our aims, please read the 'performance analysis' section.

Chief Executive's introduction



Like organisations throughout the UK and beyond, the final quarter of the 2019/20 financial year was dominated by COVID-19. With our dual role of reviewing research studies in the interests of participants and facilitating research across health and social care, our work is central to the global fight against the COVID-19 pandemic. We have been able to respond to the huge call on our services at this time because of the work we did in 2019 to restructure our approvals activity, embrace technology and support our staff and volunteers to work in different ways. This has enabled us to maintain our business continuity, enhance our service across the board and adapt our whole business model to remote working.

As the UK moved into lockdown our governance, IT and facilities support teams ensured that all of our staff and volunteers had the tools to work differently. This worked smoothly, as we had already started to pilot virtual Research Ethics Committees and Confidential Advisory Group meetings. The lessons learned from this early work meant we knew how to support all these critical strands of our business when the call to action came for home working.

The creation of a new Approvals Support team in April 2019, and the full integration of processes and roles across the Approvals directorate, has created a more efficient service for our research community. The Combined Ways of Working (CWoW) pilot, a joint initiative with the MHRA and a selected group of applicants, has demonstrated that we can cut timelines for approving clinical trials of medicines by 40%. This work to change our approvals processes, which has included extensive development of our technology platform, is a proactive response to Government calls to enhance the clinical trials environment. We now need to consider how we work in a new environment where there are increased levels of uncertainty.

We have continued working with a range of other agencies, including our colleagues in the devolved administrations, to ensure researchers internationally have a single way into the UK from a research regulatory perspective. This work has included the development and pilot of new tools to support amendments to research applications, the roll out of new services in the form of pharmacy and radiation assurance and new guidance and advice.

In the summer of 2019, we ran a public consultation on our future strategy to improve transparency and openness in health and social care research. The extensive and enthusiastic feedback we received during the consultation enabled us to finalise our strategy, called Make it Public, which we developed with the help of the Research Transparency Strategy Group. The strategy will be launched in summer 2020 and work will then begin in earnest to implement the commitments within it.

During the year Professor Sir Jonathan Montgomery, who made a huge contribution to the HRA as Chair since our inception, completed his term of office and has now taken up a new appointment as Chair of the Oxford University NHS Foundation Trust. We welcomed our new Chair; Professor Sir Terence Stephenson in September 2019.

During the last few months, the HRA Board has worked with staff to review and refresh our strategy and goals. We are determined to ensure that the HRA, as a research enabler, is agile and responsive and can adapt to the challenges of an ever-changing environment and we will do more in the year ahead to streamline our regulatory approach, including how we review studies using patient data without consent.

We have an incredible pool of volunteer members, including expert advisors, who have once again made an enormous contribution to our work. During the year I have had the opportunity to meet many of these wonderful people and was, as always, impressed by their dedication. I would like to pay tribute to each and every one of them. They have played a crucial part in the review of urgent COVID-19 studies over the last few months, going the extra mile to ensure that vital research can be supported across our health and care system.

All of this work during 2019/20 has enabled us to respond quickly to the coronavirus pandemic and to take our volunteers and the wider research community with us. Our fast-track review process for COVID-19 studies, through which urgent research is reviewed in as little as 24 hours, has shown that we are a responsive and nimble organisation. Our next step is to learn from this extraordinary way of working and to consider options for adapting our regulatory processes in the future. During 2020, we will work with others to consider what opportunities this has created and how we can continue to work in a responsible and nimble way when other areas of research restart.

What we do and who we are

Our vision

Our vision is for high-quality health and social care research that improves people's health and wellbeing.

Our mission

Our mission is to protect and promote the interests of patients and the public in health and social care research, working with partners across the UK.

We do that by providing expert advice and guidance to researchers and by reviewing research studies through 65 Research Ethics Committees in England, the Confidentiality Advisory Group and specialist review and assurance of research on behalf of NHS organisations.

Our role

We reviewed 5,061 new research studies last year, ranging from observational studies in care settings, tissue banks and research databases, to large, multi-centre clinical trials of new medicines and advanced therapeutics. We also reviewed 8,372 amendments to research studies last year.

We also manage the national health and social care research application portal, IRAS, on behalf of partners across the UK.

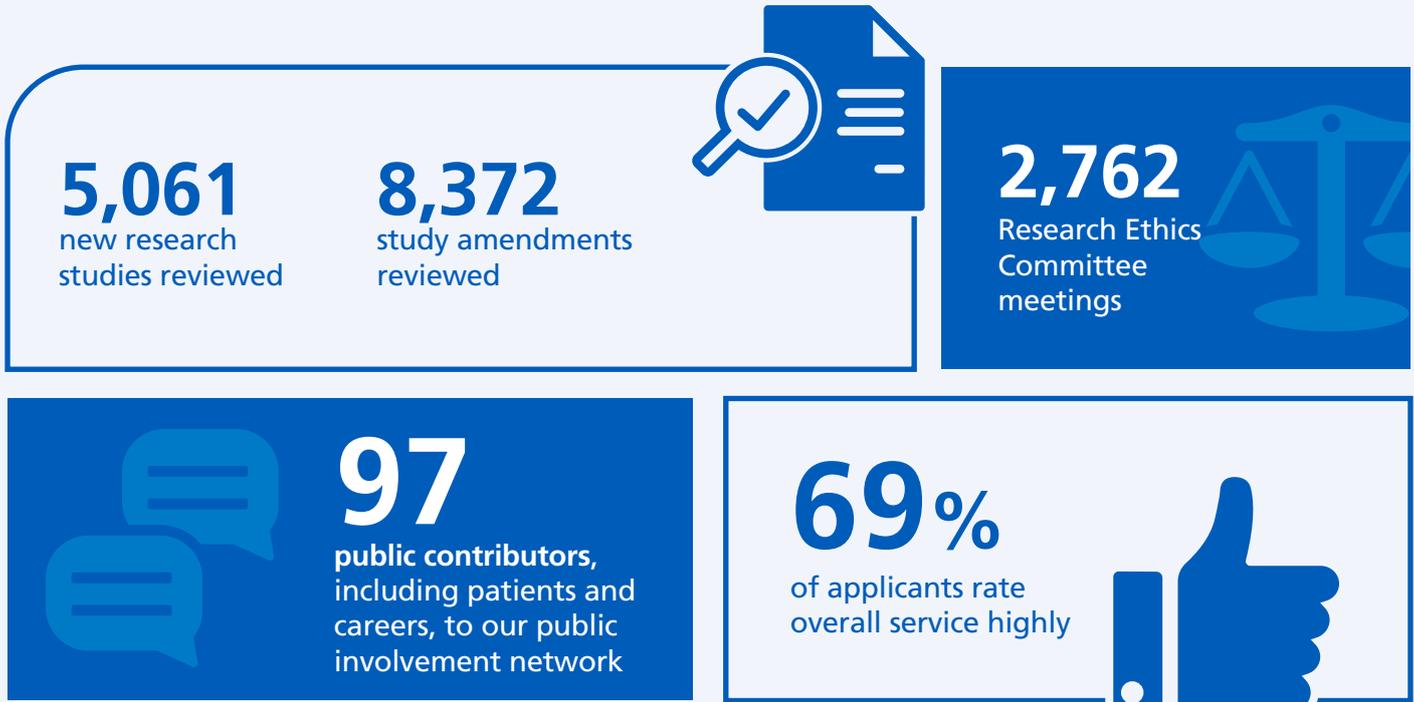
IRAS enables researchers to apply for research approvals from different regulators and review bodies and facilitates review by our committees and reviewers.

The HRA was established in 2011 to streamline the regulation of health and social care research in the UK. With our core purpose of protecting and promoting the interests of patients and the public in health and social care research, we:

- make sure research is ethically reviewed and approved
- promote transparency in research
- give expert advice to researchers
- coordinate and standardise research regulatory practice
- provide independent recommendations on the processing of identifiable patient information without consent, for research and non-research projects.

We work with other organisations in the UK to regulate different aspects of health and social care research, ensuring research approvals and oversight are streamlined and proportionate. We are England-focussed but, through our joint working with the devolved administrations of Scotland, Wales and Northern Ireland, lead the oversight of health and social care research on behalf of the UK. We deliver our work from five locations in England: Bristol, Manchester, Newcastle, Nottingham and London.

What do we do?



Who are we?



*Figure from the 2020 annual Staff Survey.

** Figure taken from 31/03/20.

All other figures are from year 2019-20.

How we work

Our 195 staff support our committees and advisory groups, provide specialist advice, guidance and learning to researchers about the ethics and governance of current and emerging areas of research, develop policy and effectively administer the organisation.

We could not operate without our network of around 1,000 volunteers. They serve on the Research Ethics Committees, the National Research and Ethics Advisory Panel, the Confidentiality Advisory Group and are part of our patient and public involvement network. They give their time freely, to support health and social care research and our work. They make an invaluable contribution to our work, to research and to research participants.

The HRA is run by a board made up of our Chair, Professor Sir Terence Stephenson (from September 2019), our Chief Executive, Teresa Allen, two executive directors and four non-executive directors. The board gives strategic oversight, agrees high-level policy and ensures that the HRA is run effectively and efficiently.

How we work is as important as what we do. We:

- work in partnership with people and communities
- are collaborative, working across the system
- are consultative and inclusive
- are transparent about our activities, our finances and our decisions
- are targeted, focussing on where we add value
- are clear about our expectations
- take proportionate action where necessary



Our strategy



Our strategy sets out how we aim to achieve our vision of high-quality health and social care research that improves people's health and wellbeing. This strategy was refreshed in 2019, refining our focus to three key areas:

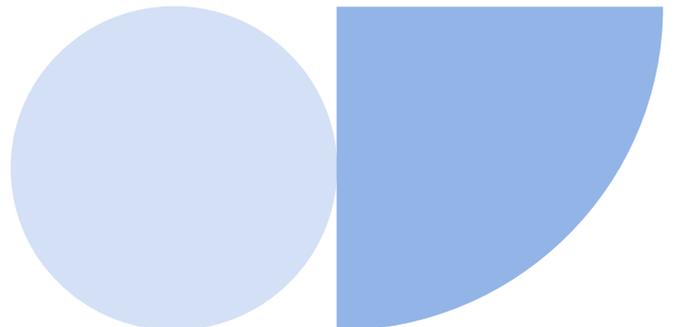
OUR VISION:

High quality health and social care research that improves people's health and wellbeing

Enabling high-quality research which is in the interests of participants



Our strategy is embedded into our work through our planning, performance, people and risk management processes. These processes help ensure we successfully deliver on our strategic objectives and, importantly, our people understand their role in our plans.



Our achievements for the year

Worked with the public and devolved nations to develop our **Make It Public** research transparency strategy



Trialled our **Combined Ways of Working (CWoW) process**, reducing approval times for clinical trials of medicines by **40%**



Implemented a new structure for our **approvals teams** which supports integration and makes it easier for researchers to make an application



Over 30,000 visits to our new **Learning Management System** by researchers, committee members and staff



Established our **Equality, Diversity & Inclusion** steering group and **staff interest groups** to support this

Implemented **fast track approvals for COVID-19 studies** and virtual REC meetings to discuss COVID-19 applications



Over 2 million unique visits to the **HRA website** and a **41% increase** in Twitter followers



Published our **Disability Leave Policy** and trained line managers around disability awareness



Key issues and risks

Strategic objective:

Enable high-quality research which is in the interests of participants and carried out with patient and public involvement and high standards of transparency

Key risks and issues: Research transparency

The challenge of delivering the House of Commons Science & Technology Committee research transparency recommendations within constrained financial resources and managing stakeholder expectations.

Our new Make it Public strategy, which was approved by the HRA Board in February 2020, was developed following extensive public consultation and engagement with patients, the public and a range of stakeholders in the research community. To enable delivery of this strategy, additional funding has been secured from the Department of Health and Social Care (DHSC) and implementation will begin in the summer.

Strategic objective:

Provide a user-friendly and efficient service which facilitates a strong research environment

Key risks and issues: Research systems transformation

The challenge of delivering the research system programme to implement a new Integrated Research Application System (IRAS). This will provide benefits to researchers by significantly improving the user experience and meeting future requirements following the UK's exit from the EU.

The programme has strong governance arrangements in place with extensive collaboration with key stakeholders. Additional assurance has been provided through multiple targeted audits by the Health Group Internal Audit Service and the creation of a Chief Digital Transformation Officer role.

Strategic objective:

Be a knowledgeable, well-run organisation that's true to its values

Key risks and issues: Long-term financial resilience

The challenge of delivering of our statutory duties and wider policy agenda within tight financial constraints.

Implementation of our new organisational structure combined with ongoing technological improvements helps address this challenge by enabling the organisation to operate more effectively and efficiently. However, efficiencies alone are not sufficient. Business cases for additional funds to support our growing remit and research systems transformation have been submitted to DHSC to support our future programme of work.

Strategic objective:

Be a knowledgeable, well-run organisation that's true to its values

Key risks and issues: The impact of COVID-19

Uncertainty arising from COVID-19 creates planning and delivery challenges for the organisation. This includes the need to direct scarce resources to fast-track approval for COVID-19 research studies.

Business continuity plans have been implemented and our Business Plan for 2020/21 re-focused on a reduced number of priorities in the light of COVID-19. We are working with key stakeholders to ensure our response meets government and research sector requirements.

> Table continues on next page

Strategic objective:
Be a knowledgeable, well-run organisation that's true to its values

Key risks and issues: EU Exit and trade negotiations
The outcome of EU trade negotiations creates uncertainty on how health and social care research will be regulated and managed in the future. The organisation has put in place plans to manage various potential options for research regulation as part of our EU Exit preparations. Working collaboratively with DHSC and Medicines and Healthcare products Regulatory Authority (MHRA), we have developed new processes and implemented supporting technology to ensure we respond well to this event.



Performance analysis

We measure and monitor our performance using a performance scorecard approach. Key performance indicators (KPIs) and benefits, linked directly to our strategic aims, measure the impact our work has on the wider research system. These mean we can define and monitor the improvements that make a difference to researchers' work and ultimately outcomes for patients and the public.

Our KPIs provide assurance and performance information to our Board, DHSC and the wider research community. Internally, they drive continuous improvement for our operational teams. The way that we manage our performance and its relationship with risk and uncertainty is explained in more detail in our governance statement, **page 26**.

As a learning organisation, we regularly review and refine our performance management and reporting systems to ensure we continue to meet our strategic aims and statutory requirements. Monthly operational KPIs reporting and monitoring, strategic quarterly performance reporting to our leadership team and Board, combined with user satisfaction data and financial reporting, all provide assurance and enable effective performance management. Individual staff objectives that complement and reflect these organisational objectives are developed during the annual appraisal process and monitored during regular one-to-ones between staff and their managers.

Our KPIs measure both financial and non-financial performance to provide a comprehensive view of our activities. Non-financial performance indicators include measures such as how engaged our staff are and user satisfaction ratings.

Overall it has been a successful year with much to celebrate. Importantly, we have risen to the challenge of the global pandemic and fast-tracked hundreds of COVID-19 applications and amendments. This couldn't have been achieved without our committed volunteer members on Research Ethics Committees and the Confidentiality Advisory Group and our dedicated workforce. They have responded to the immediate situation with flexibility and attention to detail so we continue to protect patients and the public in these unprecedented times. Our volunteer committee members have changed their model overnight; electronically reviewing documents and holding meetings remotely. Our approvals team has significantly adapted their processes for COVID-19 studies to fast-track priority studies and help quality research take place quicker.

Earlier in the year, we implemented a new organisational structure to support our integrated approvals service. Whilst the benefits of this new approach provide a more streamlined service for researchers across ethics and governance review, during the year we have experienced a dip in performance as these new processes and ways of working have taken time to bed in. To manage this, we have implemented a capacity releasing action plan and accelerated recruitment processes are in place to help performance return to previous levels and we are pleased to see this starting to happen.

Our streamlining programme has focused on our Combined Ways of Working project (CWoW) with MHRA this year. This pilot has demonstrated that by working together research approval timelines can be significantly reduced without impacting the quality of the review process. In support of this pilot we have also launched the first stage of our newly developed research systems which went live in March 2020 to the pilot group. We are also working on an electronic amendments submission process as well as online service for booking studies into a review committee, further improving the experience for researchers and adding value to the research sector. Good progress is also being made with working consistently and collaboratively across the UK and in improving our learning and guidance.

A key achievement in the year was the development of our new strategy to improve openness and transparency in research. The strategy, called Make it Public, was developed in partnership with a range of key stakeholders in the Research Transparency Strategy Group and following extensive public consultation across the UK. Its key commitments are to make transparency easy through clear guidance and intuitive systems, to make transparency the norm through monitoring and publishing performance and to make information public through an enhanced study information tool on our website. The publication of the strategy has been postponed due to COVID-19, but we expect to start implementation in summer 2020.

We are a diverse organisation that respects all and this year we have set up an equality, diversity and inclusion steering group and staff-led interest groups. We have published a disability leave policy for staff, delivered disability awareness training to line managers and have increased inclusive awareness raising activity led by staff. To support our people, we introduced a number of initiatives including study leave for all staff, access to study loans, a two-day introductory programme for new line managers and a buddy scheme for new staff. We encourage our staff to use a range of learning opportunities to develop their skills for their role or career ambitions.

We are an organisation that makes good use of public funds and have allocated resources to strategic priorities and achieved divisional forecasts within 4% target range. Our estates utilisation performance measure was achieved this year and our Board have agreed to the relocation of our London office to Stratford, London and Bristol office to Temple Quay House, Bristol in 2020/21.

We strive to communicate effectively and this year we have seen significant improvements in the numbers of recipients reading our e-newsletter, unique page views to the news pages on our website and an increase in reach on social media.





Strategic objective: Enabling high-quality research which is in the interests of participants

Our work to achieve this falls into three areas:

- robust review of research underpinned by good practice in public involvement
- transparency and openness in research
- trustworthy use of patient data in research

Objective:

Robust review of research underpinned by good practice in public involvement

Achievements:

- published our best practice public involvement principles.
- raised awareness of our public involvement in research work at a number of events, including the Pioneering Partnerships conference and the Public Engagement Open Forum.
- held our most successful annual meeting for Committee Chairs, Research Ethics Conference 2019, with a focus on public involvement.

Objective:

Transparency and openness in research

Achievements:

- held our Make it Public consultation with the devolved nations, including an online survey and public workshops.
- our transparency strategy was developed collaboratively and then ratified by our Board. The launch is planned for 2020 but has been delayed due to COVID-19.
- Sir Jonathan Montgomery (our former Chair) spoke about transparency at the Westminster Health Forum and we also presented to NHS Research & Development Forum conference.
- our Chair Professor Sir Terence Stephenson and Juliet Tizzard gave evidence on clinical trials transparency to the House of Commons Science and Technology Committee.
- our Engagement Strategy was agreed by the Board.

Objective:

Trustworthy use of patient data in research

Achievements:

- worked with partners in the research and information governance communities to develop guidance on lawful and ethical uses of patient data in research.
- continued to support the research community in embedding new data protection requirements in their work.
- provided advice and support on the special arrangements put in place relating to confidential patient information in COVID-19 research studies.
- secured funding from NHSX to streamline our review of studies using patient data without consent.



Strategic objective: Providing a user-friendly and efficient service which facilitates a strong research environment

Our work to achieve this falls into three areas:

- streamlined research approval
- intuitive research management systems supported by clear guidance and learning
- consistency and collaboration across the UK

Objective:

Streamlined research approval

Achievements:

- implemented a new approvals structure to support an integrated service (across ethics and governance), reducing service 'touch points' for researchers by 50%.
- received 156 applications for clinical trials authorisation through the Combined Ways of Working (CWoW) pilot, achieving a 40% reduction in timelines.
- by the end of the year all review of ethics meeting documents was paperless, improving efficiency and contributing to our COVID-19 response.
- following a dip in customer satisfaction rates as we rolled out the new integrated service, reached a satisfaction rate of 81% in April 2020.
- introduced a rapid response to COVID-19 research, fast-tracking research application reviews in less than five days and moving research ethics meetings to virtual meetings overnight.

Objective:

Intuitive research management systems supported by clear guidance and learning

Achievements:

- successfully launched in March 2020 the first phase of our research systems transformation with a module for CWoW pilot members.
- business case submitted to DHSC investment committee to secure support and programme funding to enable full research systems replacement and day to day delivery to 2027.
- 99% availability of research IT systems (IRAS and HARP).
- 30,227 individual visits to the HRA's new Learning Management System, supporting researchers, committee members and staff.
- 83% eLearning satisfaction rate (increase of 8%).
- 6,020 users accessing eLearning, webinars and other online resources (increase of 54%).
- guidance developed to support implementation of new mental capacity legislation in Northern Ireland.
- launched new guidance to support proportionate arrangements quickly implemented in response to COVID-19.
- 67% of users rate their experience of online guidance as 7/10 (target >75%). This is a dip compared to previous years but is showing signs of improving.

Objective:

Consistency and collaboration across the UK

Achievements:

- completed a UK-wide pilot of an amendments tool, streamlining the process for researchers. The tool will be rolled out in 2020.
- agreed and published a single local information pack for UK delivering improved consistency for researchers.
- agreed cross-border arrangements for pharmacy and radiation technical assurance helping to reduce duplication in study set up.
- actively participated with the research community to achieve data interoperability improvements across the sector. The use of an IRAS ID as the standard unique study identifier for all health and social care research was agreed as well as plans to improve data standards.
- worked with the Human Tissue Authority to produce two e-learning modules explaining the regulations and ethics of Research Tissue Banks.
- worked collaboratively with the Office of Life Sciences on the Life Sciences sector deal.
- actively engaged with Department for Business, Energy and Industrial Strategy (BEIS) prioritisation work towards delivering the government's artificial intelligence vision.



Strategic objective: Being a knowledgeable, well-run organisation that's true to its values

Our work to achieve this falls into three areas:

- a diverse organisation which includes and respects all
- skilled, high-performing people
- an organisation that makes good use of public funds

Objective:

A diverse organisation which includes and respects all

Achievements:

- made significant progress on our equality, diversity and inclusion agenda, developing principles and priority themes for our work led by staff.
- established our equality, diversity and inclusion steering group that includes representatives from staff-led interest groups.
- establish staff-led interest groups for gender, disability, LGBTQ+, BAME and religious and other beliefs.
- disability leave policy published.
- introduced disability awareness training for line managers.
- made significant improvements to the accessibility of our communications channels and published an accessibility statement.

Objective:

Skilled high-performing people

Achievements:

- improved interview process for appointing REC members developed and agreed.
- leadership development programme rolled out with a two-day introductory programme for new line managers.
- buddy scheme for new staff introduced and exit service offered for all those leaving the organisation.
- mandatory training rolled out on a different platform for all staff giving improved reporting and management of compliance.
- staff survey action plan completed and pulse survey introduced to monitor progress.
- 98% of eligible staff have had at least one appraisal within a 12-month period.
- 1,994 lost FTE days to sickness (full time equivalent - FTE) (our target is the sector average which is equivalent to 2,200 days).

Objective:

An organisation that makes good use of public funds

Achievements:

- financial forecasts within 4% target range and greater than 99.5% of resources allocated to strategic priorities.
- estates Strategy approved by Board including London and Bristol office moves.
- 7.9sqm per fulltime equivalent staff member achieved meaning we are better utilising our estate.
- 100% of Freedom of Information (FOI) requests responded to within 25 days.
- 100% of complaints responded to within policy.
- introduced electronic expenses for staff and electronic recording of annual leave.
- enabled researchers to attend REC and CAG meetings by phone by implementing mobile phones and conference speakers for all committees in year and moved to 100% virtual attendance from 17th March 2020.
- improved our staff's ability to collaborate wherever they work by rolling out Exchange Online and preparing for Microsoft Teams implementation in quarter one of 2020/21.
- HRA newsletter open rates 33% for each issue (target 30%).
- 79,572 unique page views to the news pages on our website (increase of 9%).
- 5,471 Twitter followers (increase of 41%).
- 72% of users rating our website 7/10 or higher (target 70%).

Our People



This year our dedicated staff and volunteer members have worked tirelessly and with much ingenuity to deliver on our ambitious strategy and business plan. Our annual staff survey has shown high levels of staff satisfaction against a number of benchmarks where we routinely demonstrate higher scores than the comparator group.

We are an organisation that invests heavily in supporting and engaging with our staff. We want them to work in a healthy, caring, inclusive, collaborative environment. This will give them the best opportunity to deliver our services and enables them to develop and grow as their career progresses.

We have a flourishing Staff Forum and have built significant relationships with unions through our work on the Joint Negotiating Committee, which is well supported and facilitated by our human resources team. Our learning and development programme continues to offer a wide range of opportunities. Our online training has been particularly important during the current pandemic, which has seen a sharp rise in traffic to our training site.

We have several key staff led initiatives which aim to further enhance the HRA as great place to work:

- smarter working – we have an attractive and flexible approach to how and where we carry out our work, with the technology to support it
- equality, diversity and inclusion – we consider everyone to make the HRA a welcoming and supportive organisation to work at
- disability leave policy – we were one of the first organisations within the ALB sector to introduce this. With our colleagues with disabilities we developed a policy that offers formal time off work if related to someone's disability. This ensures people have the space they need to manage their physical and mental health needs.

Each year we run a staff survey to better understand how staff feel and to get feedback. We made several changes to address areas of concern raised in last year's survey. It was pleasing to see that this work, through a collaborative approach with our staff, had had a positive impact on results in this year's survey.

Our overall engagement score for this year's staff survey was 77%, 11% above the public sector benchmark. This score is important as there is a proven link between staff engagement levels and the productivity of an organisation.

There is always more we can do to maintain our commitment to our people and we endeavour, each year, for them be the best they can and deliver a high quality service.

Financial review

Our accounts consist of primary statements (providing summary information about our income and expenditure in the year, our assets and liabilities at the end of the year and how we have managed our cashflows) and detailed notes to these statements. These accounts have been prepared based on the standards set out in the Government Financial Reporting Manual (FRM) to give a true and fair view.

We remained within our agreed revenue and capital allocations for 2019/20 and our financial reporting targets were met throughout the year. Total funding from the government for the year was £16,700k (2018/19: £16,382k), of which:

- £14,530k (2018/19: £14,448k) was revenue funding, from the Department of Health and Social Care
- £2,170k (2018/19: £1,934k) was capital funding from the Department of Health and Social Care which includes £2,080k (2018/19: £1,779k) relating to research IT systems transformation.

Income received from cost sharing arrangements included:

- £192k from the devolved administrations for providing support and IT systems for the research ethics service
- £84k towards the costs of our London regional office from NHS Business Services Authority and towards costs of our Manchester regional office from High Speed 2.

Our total net expenditure for the year was £14,530k, (2018/19 £14,448k) resulting in an underspend on our committed revenue funding of £11k, 0.1%.

More details of our expenditure are as follows:

- £6,615k (44%) funded our core services including HRA approval, confidentiality advisory service and technical assurances
- £760k (5%) revenue and £600k capital supported our ongoing delivery of research IT systems, including amortisation costs of £966k
- £3,157k (21%) funded our chief executive office, policy and engagement activities and corporate governance
- £1,025k (7%) funded our premises, facilities management and estates strategy, including depreciation costs of £52k
- £395k (3%) additional staff costs relating to increased employer pension contribution costs and accrued annual leave

In addition, to our core statutory activities, we invested in specific strategic programmes:

- £1,548k on Research IT Systems transformation in addition to £1,473k capital costs
- £933k on delivering robust IT infrastructure and related projects including the Future Services Programme (replacement of health IT infrastructure contract) and our upgrade to Windows 10 including Exchange Online.



Careful financial management and robust strategic investment appraisal procedures meant that we used our cash revenue resources to deliver our annual business plan core priorities. Efficiencies gained through service improvement and streamlined processes enabled us to meet tightening spending review requirements although some service timelines have suffered as a result. As in previous years, we have invested all our resources to achieve value for the research community and, ultimately, patients and the public.

However due to the changing research regulatory environment, and the need to manage various scenarios in preparation for EU Exit, we have not delivered on all our plans for research systems transformation this year. The first phase to deliver Combined Ways of Working (CWoW) through IRAS has been successfully delivered in collaboration with the MHRA and the National Institute for Health Research Clinical Research Networks.

In 2019/20 we implemented workforce changes, creating structures to support our integrated approval service and ensuring we achieve our strategic aims. Total staff costs in 2019/20 reduced by £256k, despite nationally agreed cost pressures such as Agenda for Change salary increases and increases to NHS pensions contributions. Overall decrease to our staff costs on 2018/19 can be described as:

- new Agenda for Change terms and conditions agreed nationally increasing staff costs; £130k
- nationally agreed increase in employers' contribution to pension costs; £323k
- reduced social security costs; £84k
- lower redundancy payments; £295k
- organisational change efficiencies; £330k.

It has been recognised by both the DHSC and the wider research system that our broader strategic remit, including research transparency and system improvements to meet the Government's research ambitions, requires additional investment. Discussions about increased investment have taken place with increased funding confirmed for 2020/21.



Sustainability report



We take our environmental performance very seriously and look forward to further developing our sustainability ambitions and reporting in 2020/21.

We're pleased to report significant developments in our environmental performance due to a staff led initiative, our Green Team. This group of 14 staff members, drawn from across the organisation, have created and implemented a programme of activities to raise awareness of green issues and improve our environmental performance.

The 24 projects in this initiative ranged from encouraging waste reduction through reduce, re-use, recycle initiatives to looking at our cycle to work policy. Print reduction initiatives (such as electronic meeting papers and double-sided printing) delivered a 30% reduction in paper use this year with likely further reductions in 2020/21. There has been a reduction in the amount of recycled paper used (from 85% to 70%) so the Green Team will focus on improving this next year.

The 2018 Government estates strategy set a new ambitious target of 6 sqm per fulltime equivalent (FTE) occupancy ratio for all new government hubs, a significant improvement on the existing 8 sqm/FTE target for all government buildings. We believe this benchmark is achievable for us and set this as our target in our refreshed 2019 estates strategy.

This year we achieved a space utilisation ratio of 7.9 sqm per full-time member of staff. This is an improvement on previous levels and is due to sharing our office space with several government bodies (NHS Business Services Authority, NHS Blood and Transplant and High Speed 2) and encouraging people to work from home two days per week. All our staff are provided with laptops and mobile communication to support our commitment to flexible working and reducing our carbon footprint.

We provide regulatory services nationally and our people often travel to deliver these services. Where possible, we encourage the use of public transport and actively promote the use of technology to collaborate and meet. Video conferencing is available in all our regional offices and all staff can access Skype meetings from their laptops. This year we increased dial-in options for researchers and committee members to over 75% of Research Ethics Committees and from 17th March moved all our committee meetings to virtual attendance in direct response to Covid-19.

Looking forward, our energy usage will reduce as we move our offices into government hubs. In 2020/21 we plan to move our London office to a building shared with other health and social care organisations in Stratford, London. The new office has excellent environmental credentials and has been awarded a certification of Outstanding by BREAM, one of the world's most highly recognised industry standards for best practice in environmentally positive building design and construction. We will also continue with our technology transformation and plan to roll out Microsoft Teams to all staff in 2020/21, replacing Skype for Business.

Teresa Allen
Chief Executive
Health Research Authority
9 September 2020

Accountability Report

Corporate governance report: Directors' report

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 DHSC, acting on behalf of the Secretary of State, is regulated by a Framework Agreement. This sets out the respective roles and responsibilities of each party, the shared principles that underpin the relationship and the arrangements for ensuring that the DHSC is able to discharge its responsibilities as sponsor and in relation to accountability. It also explains our governance arrangements as well as clarifying how we are accountable for our performance.

As an Arms-Length Body (ALB), we work in close partnership with the DHSC to deliver their objectives. While we are responsible for our operational decisions and the way in which it discharges its functions, the Framework Agreement helps to describe how the DHSC measures our performance without being involved in our day-to-day decision making.

The DHSC's Science, Research and Evidence Directorate act as sponsors for us and provide assurance to the department's Permanent Secretary and the Secretary of State that we're meeting our obligations.

We're governed by a Board that is our corporate decision-making body. It is made up of five non-executive directors and three executive directors. Two more 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.

Declaration of interests

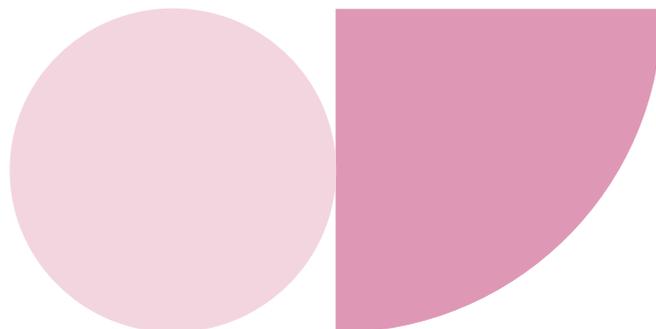
The HRA maintains a formal register of Board members' interests as set out in the Code of Accountability for the NHS. Board members are asked to confirm any declarations of interest at each Board meeting and at any time that changes take place. This includes any interests in relation to specific items 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:



www.hra.nhs.uk/about-us/governance/publication-scheme/list-and-registers/

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 under the Care Act 2014 at the cost of £40,000. The audit certificate can be found on **page 50**.



Statement of 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 income and expenditure, statement of financial position 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 DHSC has designated the Chief Executive, Teresa Allen, 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 HM Treasury. Accounting Officer responsibilities have been undertaken by the Chief Executive for the full reporting period with the exception of the period 29 November 2019 to 16 December 2019 where Karen Williams, Deputy Chief Executive and Director of Finance, fulfilled the Accounting Officer role with approval received from DHSC for this temporary change in responsibility.

As far as the Chief Executive is aware, there is no relevant audit information of which the entity's auditors are unaware and the Chief Executive has 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.



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
- the process for setting Directors Remuneration.

The HRA complies with the requirements of HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice (2017) 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 HM Treasury: Managing Public Money. 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 Accounting Officer is also accountable to the Secretary of State at the DHSC. This line of accountability is managed through a Framework Agreement between the DHSC and the HRA, an Annual Accountability Review with the Minister through quarterly reviews with officials at the DHSC and close working on a day-to-day basis between HRA staff and those in the DHSC Sponsor Branch.

Governance Structure

The Board membership attendance over 2019-2020 was as follows:

- **Professor Sir Terence Stephenson**
Chair (4/4)
(joined HRA 1 September 2019)
- **Professor Sir Jonathan Montgomery**
Chair (2/2)
(left HRA 31 August 2019)
- **Graham Clarke**
NED (6/6)
- **Richard Cooper**
NED (6/6)
- **Professor Andrew George**
NED (6/6)
- **Dr Nicole Mather**
NED (5/6)
- **Teresa Allen**
Executive Director (4/6)
- **Ian Cook**
Executive Director (6/6)
- **Karen Williams**
Executive Director (6/6)
- **Dr Janet Messer**
Director – Non-voting (6/6)
- **Juliet Tizzard**
Director – Non-voting (6/6)

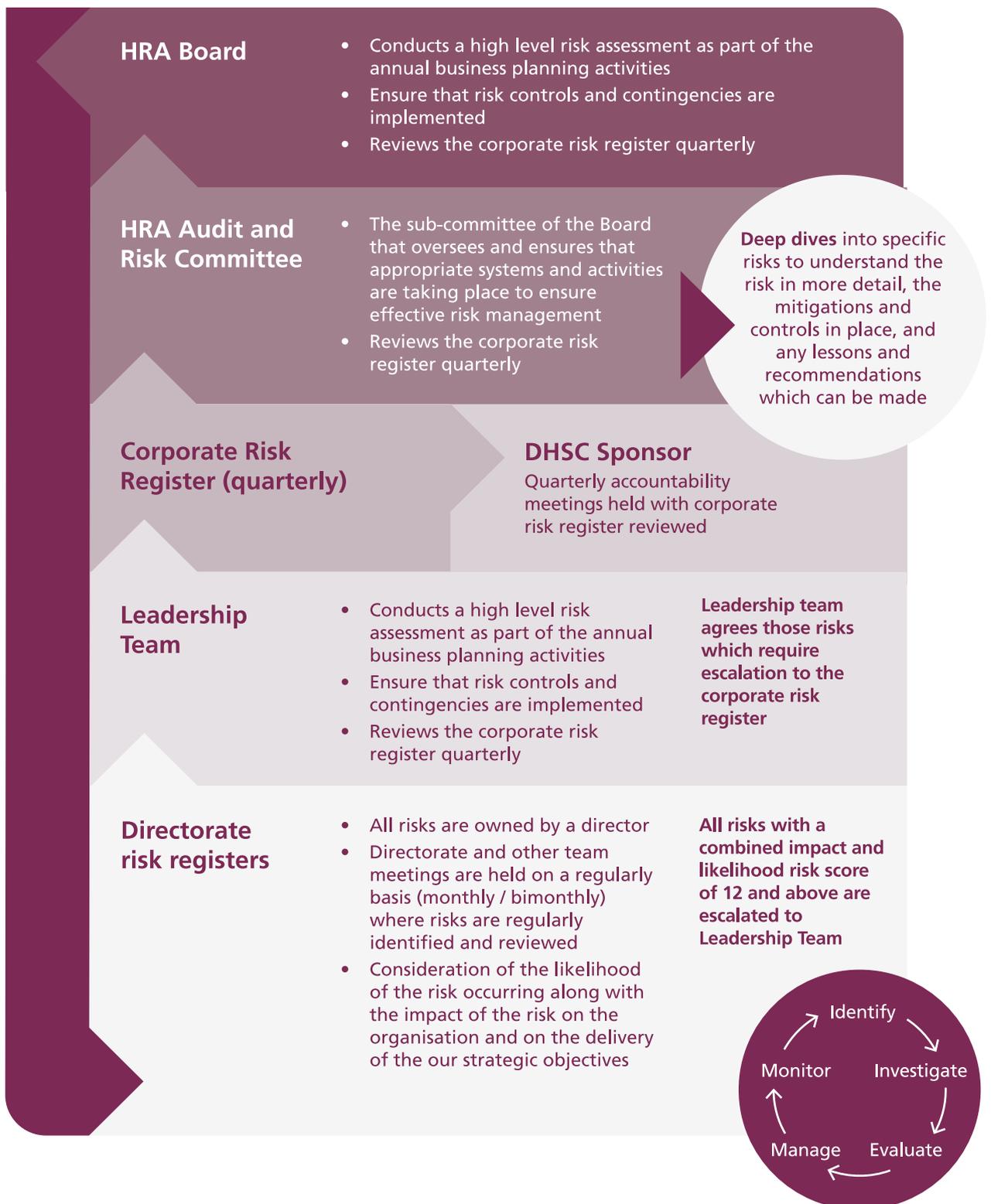
HRA Governance structure

SECRETARY OF STATE (SoS) FOR HEALTH & SOCIAL CARE

AO accountable via Framework Agreement with Department of Health & Social care to SoS



HRA risk management process



Key areas of business considered by the Board, in addition to standing items over the reporting period such as performance reporting (including financial analysis) and risk management, include:

- review and approval of the refresh to our strategy
- review and approval of our research transparency strategy including analysis of feedback from the make it public consultation
- review and approval of our engagement strategy
- review and approval of our estates strategy for 2020-2025
- regular monitoring of the research systems programme for the development of the new Integrated Research Application System and approval of the refreshed business case for the entire programme
- review of preparedness for exiting the European Union

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:

- the development of our strategy and vision
- analysis of our research transparency Make it Public consultation
- an update on the public involvement programme
- an update from the Confidentiality Advisory Group
- staff survey 2019 findings and feedback from staff forum representatives
- a demonstration of the new Integrated Research Application System

A board effectiveness review, including a meeting observation, questionnaires and interviews facilitated by an independent third party, was conducted in February 2020. The findings from the review and an action plan were due to be discussed at the March 2020 Board seminar however this was postponed due to the Covid-19 restrictions on travel. The report will be considered in 2020/21.

The Board reviews performance on a quarterly basis. The performance scorecard report provides the Board with an overview of the status of the HRA Business Plan 2019/20 deliverables as well as detailed management information relating to these objectives.

The Board considers organisational risks, their mitigation and management, via the HRA corporate risk register on a quarterly basis. The Board also considers potential future risks and ensures these 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.



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 five times in the year to 31 March 2020. The Committee membership attendance over the period was:

- Graham Clarke (Chair, NED) (5/5),
- Richard Cooper (NED), (5/5)
- Professor Andrew George (NED), (5/5)
- Marc Taylor (Audit and Risk Committee independent member) (4/5)

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 and approved the annual report and accounts for 2018/19 as well as regularly reviewing the HRA corporate risk register, internal and external audit reports, corporate gift and hospitality reports, single tender actions and loss and compensation reports.

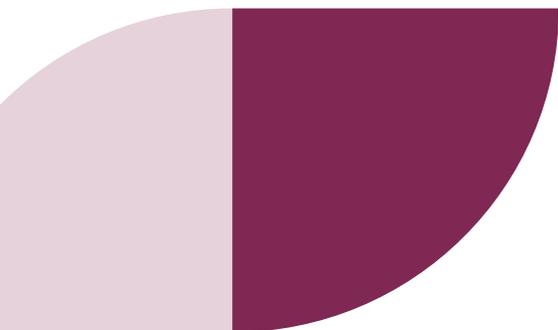
New developments this year that the committee reviewed and supported include:

- the development of our new research IT system
- the development of a counter fraud, bribery and corruption strategy, policy and action plan
- our information governance and data security arrangements and cyber security resilience
- approval of updated standing orders, reservation and delegation of powers and standing financial instructions and scheme of financial delegation.

The Audit and Risk Committee also undertakes regular risk 'deep dives' into specific areas to better understand the issues. NEDs who are not formal members of the committee are invited to attend for this part of the meeting. The committee undertook the following 'deep dives' during this reporting period:

- the development of our research transparency strategy and associated risks and opportunities
- the challenges in recruiting and retaining Research Ethics Committee members, in particular expert members with a clinical background.

The Audit and Risk Committee reviewed its effectiveness in February 2020 with a questionnaire, based on the five good practice principles from the HM Treasury Audit and Risk Assurance Committee Handbook, completed by members of the committee and other regular attendees. The findings were largely positive with open and transparent discussions held, constructive challenges made, with members having a good understanding of the objectives, priorities and risks of the organisation.



Pay and Remuneration Committee

The membership of the Pay and Remuneration Committee is made up of the Chair and NEDs. The business conducted by the Pay and Remuneration Committee over the period includes:

- advising the Board about appropriate remuneration and terms of service for the Chief Executive and any Directors on Executive and Senior Managers pay arrangements. This is to ensure they are fairly rewarded for their contribution and includes:
 - all aspects of salary (including any performance-related elements/bonuses);
 - provisions for other benefits, including pensions;
 - arrangements for termination of employment and other contractual terms.
- having oversight of Directors' remuneration and terms of service for those who are covered under Agenda for Change terms and conditions who are direct line reports of the Chief Executive.
- proper calculation and scrutiny of termination payments taking into account national guidance as well as advising on and overseeing appropriate contractual arrangements for such staff.
- consideration of the requirements, including review of job descriptions, for Executive Director recruitment.

The committee met eight times in the reporting period in order to deliver its functions. The Chief Executive is normally invited to attend the committee unless discussions relate to the remuneration and terms of services of the Chief Executive.

HRA Strategic Leadership Team

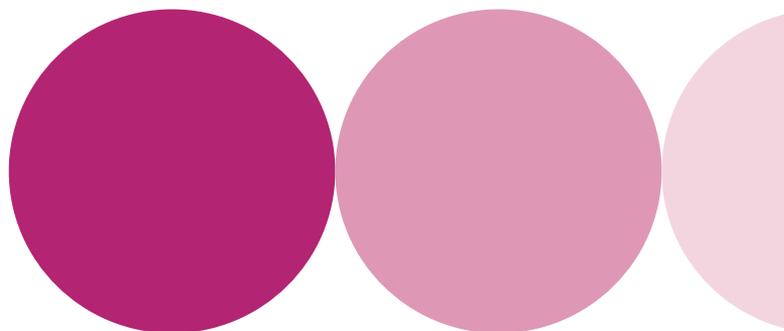
The Strategic Leadership Team (SLT) is the senior executive decision-making body responsible for managing our business within agreed objectives, resources and according to the HRA / DHSC framework agreement and standing orders. The SLT is accountable to the Chief Executive.

They are responsible for ensuring an effective bridge from executive to Board business and the formulation of HRA strategy.

The SLT has delegated responsibility to the leadership team for the management of day to day corporate business, and to the Transformation Board for the management of key programmes and projects. These are within agreed objectives, resources and according to the HRA / DHSC framework agreement and standing orders.

Effectiveness

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



The risk and control framework and capacity to handle risk

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

- agreeing the risk management policy
- assigning a responsible senior manager for risk management
- ensuring risk management processes are effective and embedded throughout our work
- reviewing significant programme, strategic and operational / project risks
- reviewing critical risk management activities / controls and their verification.

Current responsibilities are as follows:

- ensuring appropriate risk management systems are in place: Chief Executive, Deputy Chief Executive & Director of Finance, Procurement & Estates, Head of Corporate Governance and Risk
- scheduling and facilitating Internal Audit activities: Deputy Chief Executive & Director of Finance, Procurement & Estates
- 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 and Risk
- writing the Governance Statement: Chief Executive, Deputy Chief Executive & Director of Finance, Procurement & Estates and Head of corporate governance & risk
- ensuring the appropriate risk structure is in place including the audit and risk committee: Head of Corporate Governance and Risk
- 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 and Risk.

We aim to maximise the impact our operations have within our resources. By doing this we aim to manage risks at all levels from the top strategic level to the bottom operational / project levels without stopping innovation, including projects delivered by partner organisations. This requires considering a full cross section of risks to the organisation including; reputational risks, financial risks, organisational risks, health and safety risks and risks to the achievement of our objectives.

Each directorate holds its own risk register and reviews it on a regular basis. Any significant risks are subsequently escalated to the leadership team for discussion and further escalation to the Board, Audit and Risk Committee and DHSC sponsor team as required.

In addressing issues relating to risk, we seek to be as transparent and open as possible and 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 reviews and ensures that systems are in place to ensure effective risk management. The internal audit function forms part of the review process providing assurance on the risk management process and advising the Audit and Risk Committee accordingly.

Quality Assurance

We give 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 DHSC. With the endorsement of that committee we have confirmed that we do 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.

Information Governance

The HRA has an established Information Governance structure:

- the Board has designated the Deputy Chief Executive & Director of Finance 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 Deputy Chief Executive & Director of Finance
- Ian Cook, Director of Transformation and Corporate Services is the Caldicott Guardian
- NHS Business Services Authority provides data protection officer services for us
- Directors and managers 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 we maintain a coordinated approach to information governance. It meets four times a year 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, the HMG Security Policy Framework, overseen by the information governance lead and IGSG to ensure security threats are followed up and appropriately managed. We are committed to the 10 steps to cyber security and, where appropriate, the National Data Guardian's Data Security Standards. No data security incidents have been reported to the Information Commissioner's Office (ICO) during the year.

The key risks the IGSG has addressed or mitigated this year include:

- the risk our operational delivery and/or strategic influence is seriously compromised following a successful and destructive cyber security attack
- the risk of a malware attack being undertaken resulting in information and assets being compromised
- information governance breaches not reported within 72 hours to comply with the General Data Protection Regulation (GDPR)
- under-reporting of information governance security incidents
- our staff may not be properly trained in information governance.

The IGSG is content that these risks are being appropriately managed and mitigated to an acceptable level.

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 and help ensure we conform to data protection legislation. We have also completed the Data Security and Protection Toolkit this year and met all mandatory requirements.

We commissioned an independent risk assessment and gap analysis of our overall security position in line with the NHS Data & Security Protection toolkit and industry best practice. The assessment was conducted by NHS Business Services Authority. Overall the findings identified that our security practices were in a healthy state. A number of additional security controls were recommended and are in the process of being implemented.

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 for the period 1 April 2019 to 31 March 2020 and up to the date of approval of the annual report and accounts, in accords with HM Treasury guidance.

The strategic 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 or steering groups for significant projects (e.g. our governance structure is on **page 27**).

Senior managers 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 risks have been reviewed and this aspect of the Authority's activities has been subject to external review.

A Business Plan for 2020/21 has been developed and approved by the Board which sets out our clear purpose and business objectives. Our controls assurance and risk management processes are closely aligned to the twin objectives of maintaining ongoing activities and managing significant transformation 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.

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 our management, plan and carry out a programme of work. This work 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.

In 2019/20 a special payment of £13,500 was made to an individual in relation to an employment dispute. The HRA Board is responsible for exercising economy and efficiency in using public resources and considered the non-contractual payment to offer best value compared to the predicted legal and organisational costs of preparing and attending an employment tribunal. Unfortunately, this argument was not supported by HM Treasury who did not approve the payment. As a result, this payment has led to a qualification of the regularity opinion in the audit certificate.

The Head of Internal Audit provides me with an opinion, in accordance with Public Sector Internal Audit Standards, on the overall adequacy and effectiveness of the HRA's risk management, control and governance processes.

Head of Internal Audit Opinion 2019/20

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 2019-2020.

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.

Summary

The 2019/20 financial year has been instrumental in taking us forward in ways that meet both Government and our strategic objectives for health and social care research. During the year one of our primary objectives was to work with the DHSC team to ensure we had sustainable funding for the development of our Research IT Systems. Short term funding and numerous procurement exercises have used up valuable resources. We have been able to rapidly implement service changes from pilots that we initiated during the year so that we can fulfil a key role in supporting research applications and amendments during the COVID-19 pandemic. Our response to this crisis has demonstrated the benefits of investment in our IT infrastructure and tools that increase self- service and home working. We have used our audit and governance processes to great effect to focus on areas of potential weakness to the benefit of the services that we provide.



Teresa Allen
Chief Executive
Health Research Authority
9 September 2020

Remuneration and staff report

Remuneration Policy

The Chair and Non-Executive Director Board members are remunerated in line with DHSC guidance that applies to all NHS bodies. Details of the senior managers' remuneration, given in the following tables, with one exception, is set and reviewed in line with the DHSC guidance 'Pay Framework for Executive and Senior Managers (ESM) in Arms' Length Bodies'. Senior managers employed under the ESM framework

are under stated contracts of employment on terms and conditions as set out by NHS Employers. Pay for one Executive Director 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.

Remuneration and Pension for Directors (subject to audit):

Non-Executive Directors

| Name and Title of Directors | Year-ended (31 March) | Salaries and Allowances | | |
|---|-----------------------|--------------------------------|--|--------------------------------------|
| | | Total salary (bands of £5,000) | All Pension related benefits (bands of £2,500) | Total Remuneration (bands of £5,000) |
| | | £000 | £000 | £000 |
| Professor Sir Jonathan Montgomery, Chair (left 31/08/2019) | 2020 | 15 - 20 (45 - 50)* | 0 | 15 - 20 |
| | 2019 | 45 - 50 | 0 | 45 - 50 |
| Sir Terence Stephenson, Chair (started 01/09/2019) Note 1 | 2020 | 25 - 30 (45 - 50)* | 0 | 25 - 30 |
| | 2019 | 0 | 0 | 0 |
| Allison Jeynes-Ellis, Non-Executive Director (left 31/12/2018) | 2020 | 0 | 0 | 0 |
| | 2019 | 5 - 10 (5 - 10)* | 0 | 5 - 10 |
| Graham John Clarke, Non-Executive Director and Chair of the Audit and Risk Committee | 2020 | 10 - 15 | 0 | 10 - 15 |
| | 2019 | 10 - 15 | 0 | 10 - 15 |
| Deirdre Kelly, Non-Executive Director (left 31/12/2018) | 2020 | 0 | 0 | 0 |
| | 2019 | 5 - 10 (5 - 10)* | 0 | 5 - 10 |
| Nalin Thakker, Non-Executive Director (left 31/12/2018) | 2020 | 0 | 0 | 0 |
| | 2019 | 5 - 10 (5 - 10)* | 0 | 5 - 10 |
| Richard Cooper, Non-Executive Director (started 01/02/2019) | 2020 | 5 - 10 | 0 | 5 - 10 |
| | 2019 | 0 - 5 (5 - 10)* | 0 | 0 - 5 |
| Andrew George, Non-Executive Director (started 01/01/2019) | 2020 | 5 - 10 | 0 | 5 - 10 |
| | 2019 | 0 - 5 (5 - 10)* | 0 | 0 - 5 |
| Nicole Mather, Non-Executive Director (started 01/01/2019) | 2020 | 5 - 10 | 0 | 5 - 10 |
| | 2019 | 0 - 5 (5 - 10)* | 0 | 0 - 5 |

Directors

| Name and Title of Directors | Year-ended (31 March) | Salaries and Allowances | | | |
|--|-----------------------|--------------------------------|--|---|--------------------------------------|
| | | Total salary (bands of £5,000) | Performance, pay and bonuses (bands of £5,000) | All Pension related benefits (**) (bands of £2,500) | Total Remuneration (bands of £5,000) |
| | | £000 | £000 | £000 | £000 |
| Teresa Allen , Chief Executive (Note 2) | 2020 | 110 - 115 (125 - 130)* | 0 | 2.5 - 5 | 115 - 120 |
| | 2019 | 120 - 125 | 0 | 90 - 92.50 | 210 - 215 |
| Ian Cook , Director of Transformation & Corporate Services | 2020 | 90 - 95 | 0 | 22.50 - 25 | 115 - 120 |
| | 2019 | 90 - 95 | 0 | 20 - 22.50 | 110 - 115 |
| Janet Messer , Director of Approvals Service | 2020 | 90 - 95 | 0 - 5 | 22.50 - 25 | 120 - 125 |
| | 2019 | 90 - 95 | 0 | 22.50 - 25 | 115 - 120 |
| Karen Williams , Deputy Chief Executive and Director of Finance | 2020 | 110 - 115 | 0 | 27.50 - 30 | 140 - 145 |
| | 2019 | 105 - 110 | 0 | 25 - 27.50 | 130 - 135 |
| Juliet Tizzard , Director of Policy | 2020 | 100 - 105 | 5 - 10 | 25 - 27.50 | 130 - 135 |
| | 2019 | 100 - 105 | 0 | 22.50 - 25 | 130 - 135 |

*Denotes full year equivalent

Note 1: Sir Terence Stephenson took up the position of Chair of the HRA on 1 September 2019. His remuneration is paid by The University College London and recharged to the HRA.

Note 2: On 30 November 2019 Teresa Allen, Chief Executive, retired from the HRA. Teresa also retired from the NHS Pension Scheme on the same day. On 16 December 2019, Teresa was re-employed under a new contract of employment as Chief Executive, on a part-time basis, under the return to work provisions set out in NHS Pensions Retire and Return Scheme (but she did not re-join the NHS Pension Scheme). Approval for this retire and return was given by the HRA's Remuneration Committee and the Department of Health and Social Care.

Teresa's annualised full time pay as Chief Executive as of 30 November 2019 and from 16 December 2019 has remained unchanged; the remuneration disclosed above represents the amount received across these two periods of employment in the year. The salary payable on an annualised basis was unchanged when Teresa was re-employed (the full time pay has been pro-rated according to the hours worked from 16 December 2019: 16 hours

per week for 16 December 2019 to 1 January 2020; and 30 hours per week from 2 January 2020). The new contract of employment for Teresa is on a fixed term basis, ending on 31 December 2020. During Teresa's fixed term appointment, we will undertake recruitment for a permanent full time Chief Executive. The length of Teresa's fixed term contract will allow sufficient time for the HRA to undertake a robust appointment process and for a successful candidate to work out their notice period.

(**) The value of pension benefits accrued during the year is calculated on the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to transfer of pension rights. The value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide. The pension benefit table provides further information on the pension benefits accruing to the individual.

Directors

| Name and Title | Pension Benefits year-ended 31 March 2020 | | | |
|---|---|--|---|---|
| | Real Increase in pension at pension age (bands of £2,500) | Real increase in pension lump sum at pension age (bands of £2,500) | Total accrued pension at pension age at 31 March 2020 (bands of £5,000) | Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000) |
| | £000 | £000 | £000 | £000 |
| Teresa Allen, Chief Executive (Note 2 see above) | 0 - 2.5 | 0 - 2.5 | 50 - 55 | 155 - 160 |
| Ian Cook, Director of Transformation & Corporate Services (*) | 0 - 2.5 | 0 | 5 - 10 | 0 |
| Janet Messer, Director of Approvals Service | 0 - 2.5 | 0 | 20 - 25 | 35 - 40 |
| Karen Williams, Deputy Chief Executive and Director of Finance (*) | 0 - 2.5 | 0 | 5 - 10 | 0 |
| Juliet Tizzard, Director of Policy (*) | 0 - 2.5 | 0 | 0 - 5 | 0 |

| Name and Title | Pension Benefits year-ended 31 March 2020 | | | |
|---|---|---|---|--|
| | Cash Equivalent Transfer Value at 31 March 2020 | Cash Equivalent Transfer Value at 31 March 2019 | Real Increase in Cash Equivalent Transfer Value | Employer's contribution to stakeholder pension |
| | £000 | £000 | £000 | £000 |
| Teresa Allen, Chief Executive (Note 2 see above) | 0 | 1249 | 0 | 0 |
| Ian Cook, Director of Transformation & Corporate Services | 119 | 89 | 16 | 0 |
| Janet Messer, Director of Approvals Service | 392 | 352 | 19 | 0 |
| Karen Williams, Deputy Chief Executive and Director of Finance | 81 | 52 | 13 | 0 |
| Juliet Tizzard, Director of Policy | 53 | 28 | 10 | 0 |

Notes: (*) 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.

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 (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Fair pay disclosures (subject to audit)

The relationship between the remuneration of our highest-paid director and the median remuneration is 4.19, similar to last year.

In 2019/20, six employees (2018/19, 1) received remuneration in excess of the highest-paid director. Remuneration ranged from £175k to £180k (2018/19 £165k - £170k).

| | As at 31 March 2020 | As at 31 March 2019 |
|--|------------------------|------------------------|
| Band of highest paid director's total remuneration (£000's) annualised | 125 - 130 | 120 - 125 |
| Lowest pay range (£000's) | 15 - 20 | 15 - 20 |
| Median total (£) | 30,401 | 29,608 |
| Remuneration ratio | 4.19 | 4.14 |

Staff Report

Early retirements and redundancies (subject to audit)

| Exit package cost band | Year to end 31 March 2020 | | | | | |
|------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-------------------------------|-----------------------------|
| | Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures agreed | Cost of other departures agreed | Total number of exit packages | Total cost of exit packages |
| | Whole Numbers | £ | Whole Numbers | £ | Whole Numbers | £ |
| Less than £10,000 | 1 | 7,866 | 0 | 0 | 1 | 7,866 |
| £10,000 - £25,000 | 1 | 24,199 | 0 | 0 | 1 | 24,199 |
| £25,001 - £50,000 | 1 | 31,250 | 0 | 0 | 1 | 31,250 |
| £50,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 | 63,315 | 0 | 0 | 3 | 63,315 |

| Exit package cost band | Year to end 31 March 2019 | | | | | |
|------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-------------------------------|-----------------------------|
| | Number of compulsory redundancies | Cost of compulsory redundancies | Number of other departures agreed | Cost of other departures agreed | Total number of exit packages | Total cost of exit packages |
| | Whole Numbers | £ | Whole Numbers | £ | Whole Numbers | £ |
| Less than £10,000 | 0 | 0 | 5 | 30,535 | 5 | 30,535 |
| £10,000 - £25,000 | 1 | 19,988 | 0 | 0 | 1 | 19,988 |
| £25,001 - £50,000 | 1 | 29,982 | 0 | 0 | 1 | 29,982 |
| £50,001 - £100,000 | 1 | 55,789 | 3 | 222,423 | 4 | £278,212 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3 | 105,759 | 8 | 252,958 | 11 | 358,717 |

Redundancy and other departure costs have been paid in accordance with the provisions of Agenda for Change. Exit costs in this note are the full costs of departures agreed in the year. Additional costs of agreed early retirements are met by the HRA and

not by the NHS pension scheme. Ill health retirement costs are met by the NHS pension scheme and are not included in this table.

There are not redundancy payments that are special payments.

Analysis of staff costs (subject to audit)

| | Year to end 31 March 2020 | | | Year to end 31 March 2019 |
|---------------------------------|---------------------------|------------|--------------|---------------------------|
| | Permanently employed | Other | Total | Total |
| | £000 | £000 | £000 | £000 |
| Salaries and wages | 6,848 | 471 | 7,319 | 7,519 |
| Social security costs | 685 | 0 | 685 | 769 |
| Employer contributions to NHSPA | 1,286 | 0 | 1,286 | 963 |
| Redundancies / notice | 63 | 0 | 63 | 358 |
| Total | 8,882 | 471 | 9,353 | 9,609 |

The costs and average numbers of staff include the costs of staff employed by other organisations 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)

| | Year to end 31 March 2020 | | | Year to end 31 March 2019 |
|--------------|---------------------------|-----------------------------------|--------------|---------------------------|
| | Total Number | Permanently Employed Staff Number | Other Number | Total Number |
| Total | 195 | 185 | 10 | 210 |

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 year to 31 March 2020 (£52,655 2018/19). 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 for Health and Social Care 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:

a) 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as at 31 March 2019, updated to 31 March 2020 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) 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 recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the scheme regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

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 2020, for more than £245 per day and that last longer than six months:

| | Number |
|--|--------|
| Number of existing engagements as of 31 March 2020 | 17 |
| Of which: | |
| for less than one year at the time of reporting | 12 |
| for between one and two years at the time of reporting | 3 |
| for between 2 and 3 years at the time of reporting | 2 |
| for between 3 and 4 years at the time of reporting | - |
| for 4 or more years at the time of reporting | - |

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 2019 and 31 March 2020, for more than £245 per day and that last longer than six months:

| | Number |
|---|--------|
| Number of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020 | 14 |
| Of which: | |
| assessed as caught by IR35 | 10 |
| assessed as not caught by IR35 | 1 |
| engaged directly (via PSC contracted to department) and are on the departmental payroll | - |
| engagements reassessed for consistency / assurance purposes during the year | 3 |
| engagements that saw a change to IR35 status following the consistency review | - |

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020:

| | Number |
|---|--------|
| Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year | 1 |
| Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure must include both on payroll and off-payroll engagements | 10 |

Consultancy expenditure

For the year ended 31 March 2020, the Health Research Authority spent £6,500 on estates consultancy relating to the changes to the lease for our Manchester office and the dilapidations assessment for our Bristol office. £4,220 was also spent on VAT consultancy work (2018/19: £6,759).

Sickness absence data

Statistics Produced by HSCIC from Electronic Staff Record (ESR) Data Warehouse

| Quarterly Sickness Absence Publications | Monthly Workforce Publication | Average Sick Days per FTE |
|---|-----------------------------------|---------------------------|
| Average FTE 2019 | FTE-Days Lost to Sickness Absence | |
| 183 | 1,207 | 6.6 |

Source: NHS Digital – Sickness Absence Publication - based on data from the ESR Data Warehouse

Period covered: January – December 2019

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.

Other employee matters

Equality, diversity and inclusion

We promote equality and have an anti-discriminatory approach in all areas of our work. We do this by:

- ensuring barriers to accessing services and employment are identified and removed
- being committed to carrying out all our activities in a fair reasonable and consistent manner, promoting human rights and equality and diversity
- not discriminating against any staff, potential staff, members, partners, service users or anyone that deals with us in any way.

This ensures that anyone that deals with us will receive equitable treatment whether they are receiving a service, providing a service, applying for a job, tendering for a contract or any other relationship.

During 2019/20 we worked with our staff to establish staff-led interest groups on gender, disability, LGBTQ+, BAME and religious and other beliefs. The groups influence the work we do in response to our equality duty as a public body and act as a source of support for staff. We have also established a steering group which includes membership from the staff-led interest groups.

We have a responsibility as a public body to meet our equality duty to:

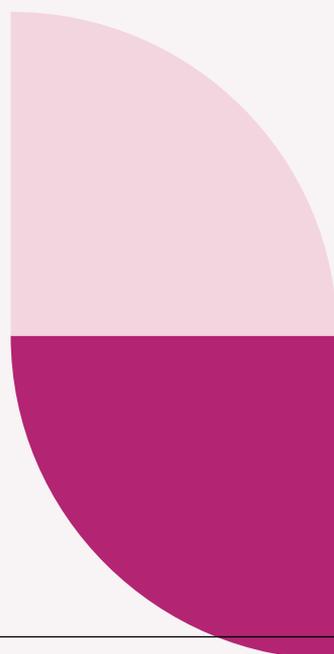
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- advance equality of opportunity between people who share a protected characteristic and those who do not
- foster good relations between people who share a protected characteristic and those who do not.

During 2019/20 we established a set of principles for our equality, diversity and inclusion work. We have also been raising awareness and increasing understanding as well as creating a safe space for staff to share lived experiences in relation to protected characteristics. The work of the groups has resulted in five key priority themes that we will focus on over the next few years:

- awareness raising
- respect
- training and development
- recruitment
- inclusive social opportunities

In addition, we implemented a disability leave policy that was developed by a working group and have provided training to raise awareness and support its implementation. We are also a registered Disability Confident Committed employer.

Since the HRA's inception in 2011 there have not been any allegations of discrimination against staff members with protected characteristics. There are no recorded cases of bullying and harassment. Our recent staff survey (February 2020) also reported that 81% of staff feel the organisation is committed to creating a diverse and inclusive workplace.



Equality information for staff

| Gender | 31 March 2020 | | 31 March 2019 | |
|---|---------------|-------------|---------------|-------------|
| | Number | % | Number | % |
| Female | 161 | 76% | 149 | 76% |
| Male | 50 | 24% | 47 | 24% |
| Grand Total | 211 | 100% | 196 | 100% |
| Ethnic Origin (Grouped) | | | | |
| Asian or British Asian | 18 | 9% | 18 | 9% |
| Black or Black British / Mixed / Other ethnic group | 20 | 9% | 17 | 9% |
| Not Stated/Undefined | 14 | 7% | 11 | 6% |
| White | 159 | 75% | 150 | 76% |
| Grand Total | 211 | 100% | 196 | 100% |
| Disabled | | | | |
| No | 178 | 84% | 171 | 87% |
| Not Declared / Undefined | 12 | 6% | 14 | 7% |
| Yes | 21 | 10% | 11 | 6% |
| Grand Total | 211 | 100% | 196 | 100% |
| Age | | | | |
| 21-25 | 16 | 8% | 9 | 5% |
| 26-35 | 66 | 31% | 63 | 32% |
| 36-45 | 65 | 31% | 57 | 29% |
| 46-55 | 43 | 20% | 45 | 23% |
| 56-75 | 21 | 10% | 22 | 11% |
| Grand Total | 211 | 100% | 196 | 100% |

| | 31 March 2020 | | | | 31 March 2019 | | | |
|-----------------------|---------------|------------|------------|------------|---------------|------------|------------|------------|
| | Male | % | Female | % | Male | % | Female | % |
| Directors | 1 | 20% | 4 | 80% | 1 | 20% | 4 | 80% |
| Other senior managers | 10 | 30% | 23 | 70% | 12 | 34% | 23 | 66% |
| Employees | 39 | 23% | 134 | 77% | 34 | 22% | 122 | 78% |
| Total | 50 | 24% | 161 | 76% | 47 | 24% | 149 | 76% |

We publish gender pay gap information showing the difference in average earnings between women and men. The results for 2019 show that the average hourly rate is 13.6% higher for men with the median being 11.5% (2018 average hourly rate 7.9% higher and median 13.3% higher). This does not mean that men get paid more than women for doing the same job, the NHS pay grade structure and employment practices we use mean this isn't possible. The lower average pay for women reflects the fact that there are proportionately fewer women in more highly paid roles such as senior manager and technology roles compared to men.

We are pleased that women are well represented across the workforce but appreciate more can be done to address this gap. We will be taking action, through the Board and the Staff Forum, to help reduce this difference.

We publish diversity information on our website at:

 hra.nhs.uk/about-us/governance/equality-and-diversity/

Our gender pay gap data is also published on the gov.uk website:

gender-pay-gap.service.gov.uk

Health, safety and welfare

We embrace health, safety and welfare as an integral part of our culture. We are committed to the fundamental right of all employees to work in a safe and healthy environment and to a holistic approach to identifying and mitigating associated risks.

Managers and staff are supported by comprehensive health, safety and welfare arrangements including an active Health, Safety & Welfare Committee (HS&WC), comprehensive policies and procedures and access to expert advice.

We encourage our employees to report accidents or instances of work-related ill health so we can identify trends and to inform our health and safety performance. We are pleased to report that we have had no reportable incidents, down from one last year. The HS&WC is satisfied that if an incident were to occur it would be known immediately and reported. No reports under Reporting Injuries, Diseases and Dangerous Occurrences Regulations 2013 have been made.

Trade union recognition

The HRA has in place a well-established and embedded Staff Partnership Forum and last year also entered into a formal partnership agreement with Unison and managers. The Joint Negotiating Committee has met formally 4 times. During the year 5 members of staff (4.6 FTE) were union officials at the HRA (2018/19 4 (3.6 FTE)).

| Percentage time | Number of employees |
|-----------------|---------------------|
| 0% | 1 |
| 1-50% | 4 |
| 51-99% | 0 |
| 100% | 0 |

Percentage of staff costs spent on union facility activities

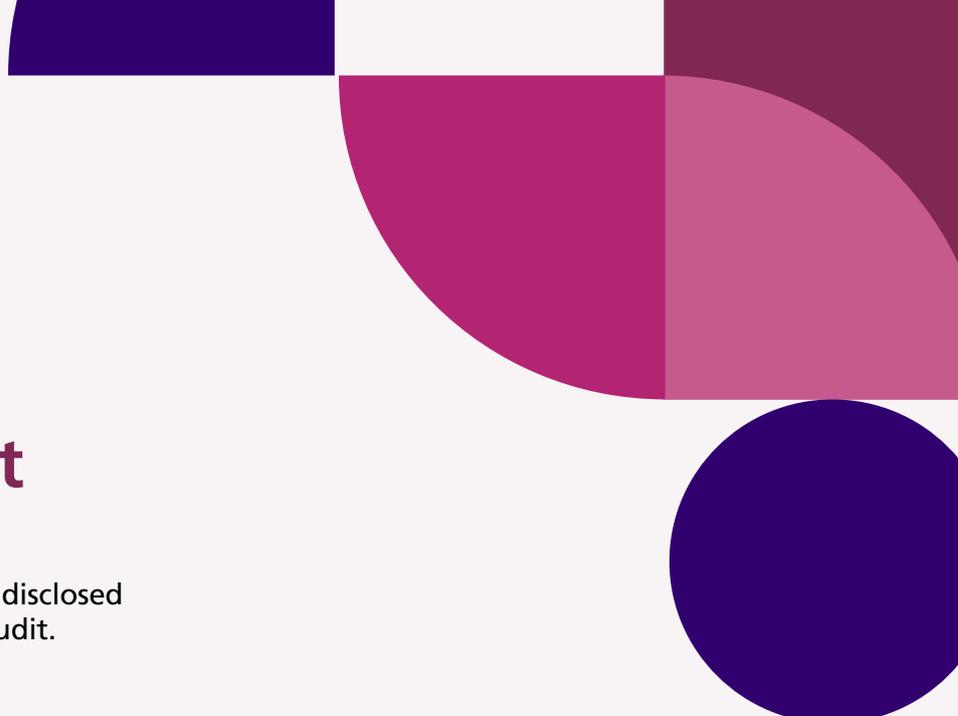
| | |
|--|---------|
| Total cost of union facility activities | £3.7k |
| Total staff costs | £9,353k |
| Percentage of total staff costs spent on union facility activities | 0.04% |

Paid trade union activities

| | |
|---|------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100% |
|---|------|

Pension Liabilities

Past and present employees of the HRA are covered by the provisions of the NHS Pensions Scheme. Page 42 of the annual report presents how pension liabilities have been treated.



Parliamentary Accountability and Audit Report

This section provides other information disclosed in the public interest and is subject to audit.

Remote Contingent Liabilities

There are no known material remote contingent liabilities.

Regularity of Expenditure: Losses and Special Payments

For the year-ended 31st March 2020, the HRA made one special payment of £13,500. (£0 2018/19). For further details visit the Governance statement on **page 34**.



Teresa Allen
Chief Executive
Health Research Authority
9 September 2020

Audit Opinion

The certificate of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of Health Research Authority for the year ended 31 March 2020 under the Care Act 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability report that is described in that report as having been audited.

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 2020 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.

Qualified opinion on regularity

In my opinion, except for the matter described in the basis for the qualified opinion paragraph below, 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.

Basis for the qualified opinion on regularity

The Health Research Authority is required to comply with the requirements of HM Treasury's "Managing Public Money". During 2019-20, the Health Research Authority made a non-contractual payment to an individual as a result of an employment dispute. Such payments are outside of the Health Research Authority's delegation and Managing Public Money confirms that Arm's Length Bodies should consult with their sponsoring department ahead of making payments, and that they may in turn consult with HM Treasury. The business case for this payment was submitted to and rejected by HM Treasury.

In my opinion, this payment did not conform with the authorities which govern it and resulted in an irregular payment of £13,500. I consider the actions carried out by the HRA indicate a level of disregard for the public spending framework and the irregular payment is material by nature. Further details can be found in my report, below.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Health Research Authority in accordance with the ethical requirements that are relevant

to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Health Research Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 - the Health Research Authority have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Health Research Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
-

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Care Act 2014.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Research Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- conclude on the appropriateness of the Health Research Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Research Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Health Research Authority to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Care Act 2014;
- in the light of the knowledge and understanding of the Health Research Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; 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 Accountability Report 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.

Gareth Davies

Comptroller and Auditor General

14 September 2020

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

Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

The Health Research Authority (HRA) was established as an executive non-departmental public body (NDPB) by the Care Act 2014 and its main purpose is to protect and promote the interests of patients and the public in health and social care research.

The purpose of my report

The purpose of this report is to explain the circumstances which led me to qualify my audit opinion on regularity on the 2019-20 financial statements of the Health Research Authority (HRA).

Qualified audit opinion arising from irregular expenditure on employment dispute

During the year, my audit of the HRA identified that the HRA made a non-contractual payment of £13,500 to an individual as a result of an employment dispute. Under Managing Public Money, the HRA is required to obtain approval for payments of this nature from HM Treasury. This was sought but not obtained and as a result, I consider the £13,500 payment to be irregular.

HM Treasury sets out the requirements for managing funds in the public sector through its publication Managing Public Money. This sets out guidance for the governance and accounting for payments that may be considered to be outside of the purpose for which funding has been allocated to public sector organisations.

The payment made by the HRA meets the definition of a special payment, as set out within Managing Public Money¹. For these payments Managing Public Money confirms that Arm's Length Bodies should consult with their sponsoring department ahead of making payments, and that they may in turn consult with HM Treasury².

As set out on page 34, the HRA prepared a business case requesting approval for the payment to be made in order to resolve the employment dispute without progressing to an employment tribunal. The HRA considered this would provide better value for money compared to the organisational and legal costs of an employment tribunal. The business case was submitted to the Department of Health and Social Care and subsequently jointly submitted by the Department of Health and Social Care and the HRA to HM Treasury for approval.

¹ Annex 4.13 paragraph A4.13A

² Annex 4.13 paragraph A4.13.4

Prior to receiving a formal response from HM Treasury, the HRA made the decision to proceed with entering into an agreement with the individual. This was approved by the HRA's Pay and Remuneration Committee. While a formal response had not been received from HM Treasury at this time, an indication had been provided that HM Treasury were unlikely to be supportive of the business case on the basis of the precedent setting nature of such payments.

The draft agreement was issued to the individual, and on the same day that this was signed and returned by them the HRA received confirmation that HM Treasury had rejected the business case. Despite the business case being rejected the HRA proceeded to sign the agreement and make the payment of £13,500.

These actions mean that the HRA made a payment that was in breach of regulations. I am aware that the business case prepared by the HRA identified that there was expected to be a lower cost overall by entering into the agreement, however Managing Public Money sets out a range of criteria to be considered in judging value for money, including the precedent that could be set³. I consider the actions carried out by the HRA indicate a level of disregard for the public spending framework (including the wider impact of any payment on value for money and the public purse through precedent setting) and the irregular payment is material by nature. I have therefore qualified my opinion on regularity.

Gareth Davies
Comptroller and Auditor General
14 September 2020

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

³ Annex 4.13 paragraph A4.13.6

Financial Statements

Statement of comprehensive net expenditure for the year ended Year to 31 March 2020

| | Notes | Year to end 31 March 2020 £'000 | Year to end 31 March 2019 £'000 |
|---------------------------------------|-------|---------------------------------------|---------------------------------------|
| Administration | | | |
| Expenditure | | | |
| Staff Costs | 4 | 9,443 | 9,696 |
| Amortisation and Depreciation | 4 | 373 | 974 |
| Other Expenditure | 4 | 5,000 | 4,041 |
| | | 14,816 | 14,711 |
| Income | | | |
| Income from Activities | 5 | 286 | 263 |
| | | 286 | 263 |
| Net Expenditure for the period | | 14,530 | 14,448 |

The notes on pages 60 to 73 form part of these accounts.



Statement of Financial Position as at 31 March 2020

| | Notes | As at 31 March 2020 £'000 | As at 31 March 2019 £'000 |
|--|-------|---------------------------------|---------------------------------|
| Non Current Assets | | | |
| Information Technology Assets | 6.1 | 229 | 186 |
| Intangible Assets | 6.2 | 4,504 | 2,752 |
| Total non-current assets | | 4,733 | 2,938 |
| Current assets | | | |
| Trade and other receivables | 7 | 278 | 276 |
| Cash and cash equivalents | 8 | 3,463 | 1,992 |
| Total current assets | | 3,741 | 2,268 |
| Total Assets | | 8,474 | 5,206 |
| Current Liabilities | | | |
| Trade and other payables | 9 | 2,707 | 2,178 |
| Other liabilities | 9 | 322 | 2 |
| Total current liabilities | | 3,029 | 2,180 |
| Non-current assets less net current liabilities | | 5,445 | 3,026 |
| Assets less liabilities | | 5,445 | 3,026 |
| Taxpayers' Equity | | | |
| General Fund | | 5,445 | 3,026 |
| Total Taxpayers' Equity | | 5,445 | 3,026 |

The notes on pages 60 to 73 form part of these accounts.

The financial statements on pages 56 to 59 were signed on behalf of the Health Research Authority by:



Teresa Allen
Chief Executive
Health Research Authority
9 September 2020

Statement of Cash Flows for the year ended Year 31 March 2020

| | Notes | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|---|-------|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | | |
| Net expenditure for the period after interest | | (14,530) | (14,448) |
| Adjustments non cash transactions | 4 | 764 | 974 |
| (Increase) in trade and other receivables | 7 | (2) | (91) |
| Increase in trade payables | 9 | 849 | 527 |
| Loss on disposal of property, plant & equipment | | 3 | 0 |
| Net cash (outflow) from operating activities | | (12,916) | (13,038) |
| Cash flows from investing activities | | | |
| Purchase of plant, property and equipment | 6.1 | (97) | (66) |
| Purchase of intangible assets | 6.2 | (2,073) | (1,868) |
| Net cash (outflow) from investing activities | | (2,170) | (1,934) |
| Cash flows from financing activities | | | |
| Net Parliamentary funding | | 16,557 | 16,007 |
| Net financing | | 16,557 | 16,007 |
| Net increase / (decrease) in cash and cash equivalents | | 1,471 | 1,035 |
| Cash and cash equivalents at the beginning of the period | | 1,992 | 957 |
| Cash and cash equivalents at the end of the period | 8 | 3,463 | 1,992 |

The notes on pages 60 to 73 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended Year 31 March 2020

| | General Fund £'000 | Total Reserves £'000 |
|--|-----------------------|-------------------------|
| Balance as at 31 March 2018 | 1,467 | 1,467 |
| Net Expenditure to 31 March 2019 | (14,448) | (14,448) |
| Total recognised income and expenditure for the year | (14,448) | (14,448) |
| Parliamentary funding for resources to 31 March 2019 | 16,007 | 16,007 |
| Total Parliamentary Funding from Department of Health and Social Care | 16,007 | 16,007 |
| Balance as at 31 March 2019 | 3,026 | 3,026 |
| Net Expenditure to 31 March 2020 | (14,530) | (14,530) |
| Total recognised income and expenditure for the year | (14,530) | (14,530) |
| Parliamentary funding for resources to 31 March 2020 | 16,949 | 16,949 |
| Total Parliamentary Funding from Department of Health and Social Care | 16,949 | 16,949 |
| Balance as at 31 March 2020 | 5,445 | 5,445 |

The notes on pages 60 to 73 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 Going Concern

The Department of Health and Social Care (DHSC) has confirmed funding of HRA will continue and next year's funding has been agreed. It is therefore considered appropriate to prepare the 2019/20 financial statements on a going concern basis.

1.2 Accounting Conventions

The account is prepared under the historical cost convention. This is in accordance with directions issue by the Secretary of State for Health and Social Care and approved by HM Treasury.

1.3 Income

The HRA's main source of funding is grant-in-aid funding from DHSC and is recognised in the financial period in which the cash is received.

Operating income is income which relates directly to the operating activities of the HRA. 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 derived from contracts with customers, it is accounted for under IFRS 15. The FReM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS). Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. Where revenue received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

The value of the benefit received when the HRA accesses funds from the Government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

1.4 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 an asset.

1.5 Tangible assets – property, plant and equipment

a) Capitalisation

Information technology (IT) assets which are capable of being used for more than one year are capitalised initially at cost when:

- individually cost equal to or greater than £5,000; or
- collectively cost at least £5,000 and individually 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
- second hand IT assets are capitalised at cost, which represents market value, and may be below the thresholds for capitalising new IT assets.

b) Valuation

IT assets 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 comprise of video conference equipment and laptops. The expected useful economic life of these assets are assessed differently due to changes in technology advancements and are depreciated over different economic lives as follows:

| | Years |
|---------------------------------|-------|
| Tangible information technology | 5 |
| Laptops | 4 |

Assets held under construction are laptops held but not built to specification nor distributed to staff.

1.6 Intangible assets

a) Capitalisation

Intangible assets are capitalised initially at cost.

b) Valuation

Intangible assets are carried on 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.

c) Amortisation

All intangible assets, with the exception of those under construction, are amortised over their expected useful economic life.

Intangible assets comprise of software licences for the e-learning system and the licence fee for the current IRAS system. Development expenditure relating to the HRA research IT systems are grouped under Information Technology. The estimated lives of these assets have been assessed and are set out below. Assets are amortised on a straight-line basis over their estimated life.

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 | 3 - 7 |
| Intangible information technology | 5 - 7 |

d) Assets under the course of construction

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

e) Impairment

An annual review is undertaken of all assets to consider any changes in useful economic life. Impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses.

1.7 Significant accounting policies and material judgements

Estimates and the underlying assumptions are reviewed annually by the organisation's senior management based on historical experience and other factors considered relevant. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Historically, IRAS development costs have been accounted for on the basis of 80% capital and 20% revenue due to the contractual arrangements in place and external benchmarks. Externally sourced development costs relating to replacement of IRAS have been capitalised 100% while the system is under construction with associated in-house programme management costs treated 100% as revenue.

During the year, senior management decided to extend the research systems transformation period increasing the life of our legacy systems. This extension has been reflected in amortisation calculations and useful economic life of the assets in the accounts.

1.8 Cash and cash equivalents

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

1.9 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. The contributions are charged to operating expenses as they become due.

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.

1.10 Leases

Operating leases as the lessee

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. All HRA leases are assessed to be 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.

Operating leases as the lessor

Rental income from operating leases is recognised as income on a straight-line basis over the term of the lease.

1.11 Financial instruments

Financial assets and financial liabilities recognition.

Financial assets and financial liabilities arise where the Health Research Authority is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. This definition of a contract includes legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as tax by ONS.

This includes the purchase or sale of non-financial items, such as goods and services, which are entered into in accordance with normal requirements of the Health Research Authority and are recognised when, and to the extent which, performance occurs, i.e. when receipt or delivery of the goods or services is made.

Receivables comprise of cash at bank, NHS and Non-NHS receivables, prepayments, accrued income and other receivables.

Financial liabilities comprise: NHS Payables, other payables and accruals.

1.11.1 Classification and measurement

After initial recognition, financial assets and financial liabilities are measured at amortised cost. These are assets and liabilities which are held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables and rights and obligations under lease arrangements.

1.11.2 Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets the HRA recognises an allowance for expected credit losses.

The organisation adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses.

1.11.3 De-recognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Authority has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

1.12 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 16 Leases

IFRS 16 leases will replace IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The HRA will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the HRA will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the general fund at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the HRA's incremental borrowing rate. The HRA's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the HRA will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the HRA does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

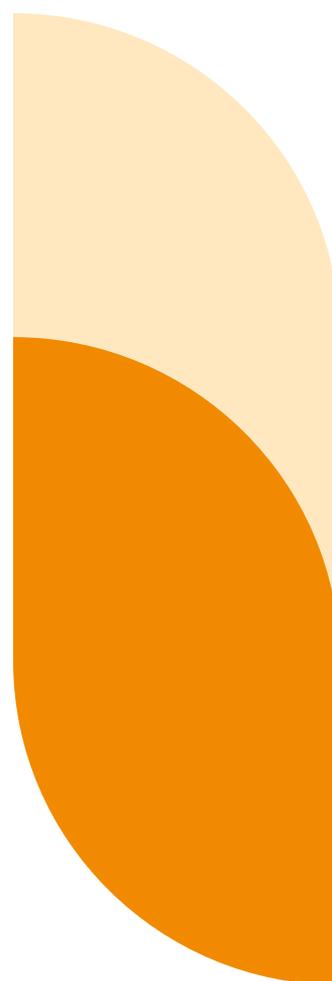
IFRS 17 Insurance Contracts - this standard is effective from 1st January 2021. We do not consider that this will have a material impact on the HRA financial accounts.

2. Analysis of Net Expenditure by segment

The organisation 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 41 within the staff report of the Remuneration report section and also included within note 4 of the annual accounts.



4. Expenditure

The Health Research Authority costs all relate to Administration costs:

| | Notes | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|--|-------|-----------------------------------|-----------------------------------|
| Non-executive members' remuneration | | 90 | 87 |
| Other salaries and wages | | 7,319 | 7,519 |
| Social Security Costs | | 685 | 769 |
| Pension Costs | | 1,286 | 963 |
| Redundancies and notice not worked | | 63 | 358 |
| Total Staff Costs | | 9,443 | 9,696 |
| Supplies and Services - general | | 371 | 354 |
| Establishment expenses | | 1,131 | 1,084 |
| Transport and moveable plant | | 6 | 6 |
| Premises and fixed plant | | 3,387 | 2,523 |
| Auditors' remuneration: (*) Audit fees | | 40 | 35 |
| Miscellaneous | | 62 | 39 |
| Loss on disposal of assets | | 3 | 0 |
| Total Other Expenditure | | 5,000 | 4,041 |
| Capital: Depreciation | 6.1 | 52 | 20 |
| Amortisation | 6.2 | 321 | 954 |
| Total Depreciation and Amortisation | | 373 | 974 |
| Total expenditure | | 14,816 | 14,711 |

(*) The Audit Fee for the period to the 31 March 2020 is £40,000 (period to 31 March 2019 £35,000).

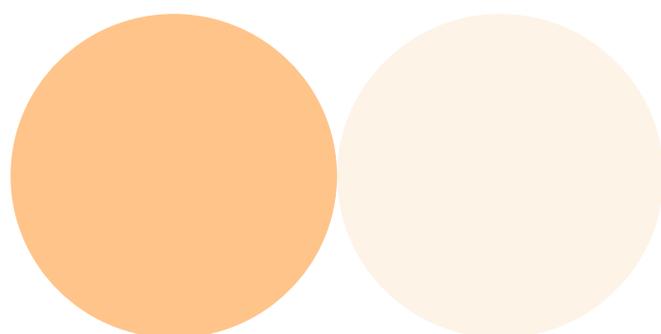
The Authority did not make any payments to External Auditors for non audit work.

4.1 Better Payment Practice Code – measure of compliance

| | 2019-20 Number | 2018-19 Number |
|--|-------------------|-------------------|
| Total Non-NHS trade invoices paid in the year | 3,395 | 3,402 |
| Total Non-NHS trade invoices paid within target | 2,901 | 3,379 |
| Percentage of Non-NHS trade invoices paid within target | 85.4% | 99.3% |
| Total NHS trade invoices in the year | 168 | 193 |
| Total NHS trade invoices paid within target | 153 | 188 |
| Percentage of NHS trade invoices paid within target | 91.1% | 97.4% |

| | 2019-20 Value £000 | 2018-19 Value £000 |
|--|--------------------------|--------------------------|
| Total Non-NHS trade invoices paid in the year | 5,509 | 4,779 |
| Total Non-NHS trade invoices paid within target | 5,371 | 4,775 |
| Percentage of Non-NHS trade invoices paid within target | 97.5% | 99.9% |
| Total NHS trade invoices in the year | 1,314 | 1,716 |
| Total NHS trade invoices paid within target | 1,306 | 1,715 |
| Percentage of NHS trade invoices paid within target | 99.4% | 99.9% |

The HRA introduced a new system of reimbursing volunteers' expenses at the start of 2019/20, which during the implementation phase resulted in a number being paid slightly outside the target. The HRA has continued to refine the process and we expect to see our Better Payment Practice Code improve during 2020/21.



5. Operating revenue

| | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|--|--------------------------------|--------------------------------|
| Administration | | |
| Fees & charges to external customers | 46 | 5 |
| Income received from Scottish Parliament | 98 | 94 |
| Income received from National Assembly for Wales | 61 | 59 |
| Income received from Northern Ireland Assembly | 34 | 33 |
| Income received from other Departments | 47 | 72 |
| Total Administration revenue | 286 | 263 |

The Health Research Authority has reviewed the income to identify any contracts which are within the scope of IFRS15. The majority of the revenue is received from the Devolved Administrations on a cross charging

arrangement using the Barnett Formula, and so is outside of scope. The remainder of the revenue either did not fall within the scope or had all of the performance obligations delivered by the end of the reporting date.

6. Non-current assets

6.1 Tangible assets – property, plant and equipment

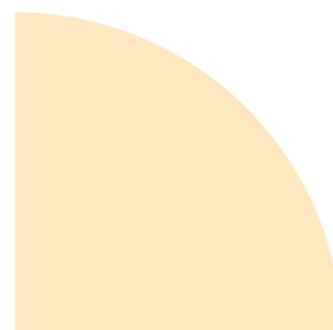
| | Information Technology £'000 | Assets under construction £'000 | Total £'000 |
|---|---------------------------------|------------------------------------|----------------|
| Cost or Valuation at 1 April 2019 | 268 | 0 | 268 |
| Additions - purchased | 0 | 97 | 97 |
| Disposals | (3) | 0 | (3) |
| Gross cost as at Year to 31 March 2020 | 265 | 97 | 362 |
| Depreciation | | | |
| Accumulated depreciation at 1 April 2019 | 82 | 0 | 82 |
| Charged during the year | 52 | 0 | 52 |
| Depreciation on disposal | (1) | 0 | (1) |
| Accumulated depreciation as at Year to 31 March 2020 | 133 | 0 | 133 |
| Net book value as at Year to 31 March 2019 | 186 | 0 | 186 |
| Net book value as at Year to 31 March 2020 | 132 | 97 | 229 |

| | Information Technology £'000 | Assets under construction £'000 | Total £'000 |
|---|---------------------------------|------------------------------------|----------------|
| Cost or Valuation at 1 April 2018 | 129 | 73 | 202 |
| Additions - purchased | 66 | 0 | 66 |
| Transfers | 73 | (73) | 0 |
| Gross cost as at Year to 31 March 2019 | 268 | 0 | 268 |
| Depreciation | | | |
| Accumulated depreciation at 1 April 2018 | 62 | 0 | 62 |
| Charged during the year | 20 | 0 | 20 |
| Accumulated depreciation as at Year to 31 March 2019 | 82 | 0 | 82 |
| Net book value at 31 March 2018 | 67 | 73 | 140 |
| Net book value as at Year to 31 March 2019 | 186 | 0 | 186 |

6.2 Intangible assets

| | Assets under construction £'000 | Software licences £'000 | Information technology £'000 | Total £'000 |
|---|------------------------------------|----------------------------|---------------------------------|----------------|
| Gross Cost at 1 April 2019 | 1,500 | 591 | 4,013 | 6,104 |
| Additions - purchased | 265 | 0 | 1,808 | 2,073 |
| Transfers | (1,500) | 0 | 1,500 | 0 |
| Gross cost as at Year to 31 March 2020 | 265 | 591 | 7,321 | 8,177 |
| Amortisation | | | | |
| Accumulated amortisation at 1 April 2019 | 0 | 557 | 2,795 | 3,352 |
| Charged during the year | 0 | 17 | 304 | 321 |
| Accumulated amortisation as at Year to 31 March 2020 | 0 | 574 | 3,099 | 3,673 |
| Net book value as at Year to 31 March 2019 | 1,500 | 34 | 1,218 | 2,752 |
| Net book value as at Year to 31 March 2020 | 265 | 17 | 4,222 | 4,504 |

The Information Technology amortisation charge of £304,000 takes into account a change in the estimated economic life of our existing research IT systems. The first stage of the replacement programme for these systems was delivered in year with the remainder of the programme now estimated to be completed by 2023. Legacy systems are required to support our regulatory services until this time with a corresponding increase in their economic lives.



| | Assets under construction £'000 | Software licences £'000 | Information technology £'000 | Total £'000 |
|---|------------------------------------|----------------------------|---------------------------------|----------------|
| Gross Cost at 1 April 2018 | 111 | 591 | 3,534 | 4,236 |
| Additions - purchased | 1,500 | 0 | 368 | 1,868 |
| Transfers | (111) | 0 | 111 | 0 |
| Gross cost as at year to 31 March 2019 | 1,500 | 591 | 4,013 | 6,104 |
| Amortisation | | | | |
| Accumulated amortisation at 1 April 2018 | 0 | 432 | 1,966 | 2,398 |
| Charged during the year | 0 | 125 | 829 | 954 |
| Accumulated amortisation as at year to 31 March 2019 | 0 | 557 | 2,795 | 3,352 |
| Net book value as at 31 March 2018 | 111 | 159 | 1,568 | 1,838 |
| Net book value as at year to 31 March 2019 | 1,500 | 34 | 1,218 | 2,752 |

7. Trade receivables

Amounts falling due within one year

| | As at 31 March 2020 £'000 | As at 31 March 2019 £'000 |
|------------------------------------|---------------------------------|---------------------------------|
| Trade receivables NHS | 46 | 66 |
| Trade receivables Non NHS | 30 | 4 |
| Contract receivables: Invoiced | 0 | 58 |
| Expected credit loss allowance | 0 | (2) |
| Other receivables | 80 | 40 |
| Accrued income and prepayments | 122 | 110 |
| Trade and other receivables | 278 | 276 |

8. Cash and Cash equivalents

| | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|--|-----------------------------------|-----------------------------------|
| Opening balance | 1,992 | 957 |
| Net change in period | 1,471 | 1,035 |
| Total | 3,463 | 1,992 |
| Comprising: | | |
| Held with Office of Government Banking Service | 3,463 | 1,992 |
| Balance at year end | 3,463 | 1,992 |

9. Trade payables and other current liabilities

Amounts falling due within one year

| | As at 31 March 2020 £'000 | As at 31 March 2019 £'000 |
|---|---------------------------------|---------------------------------|
| Trade payables | 781 | 516 |
| Accruals and deferred income | 1,926 | 1,662 |
| Trade and other payables | 2,707 | 2,178 |
| Other taxation and social security | 193 | 2 |
| Other Current Liabilities | 129 | 0 |
| Other Current Liabilities | 322 | 2 |
| Total trade payables and other current liabilities | 3,029 | 2,180 |

10. Capital Commitments

At 31 March 2020, the HRA has an outstanding commitment on a contract for capital development of the New IRAS system, that was entered into during 2019/20. In addition the HRA exercised the option to extend the contract for both operational and development services with an existing supplier to support the HRA's research systems, which is key to the delivery of the HRA's statutory obligations. The capital commitment associated with this contract is included within this note and the financial commitment is included within Note 12. The total capital commitment as at the 31st March 2020 is £387,852. This is expected to be paid in the 2020/21 financial year (31 March 2019: £440,133).

11. Commitments under leases

Operating leases

The Health Research Authority have leases for offices in London, Nottingham, Bristol, Manchester and Newcastle. Total future minimum lease payments under these operating lease are given in the table below. The HRA plan

to move into new premises in London and Bristol during 2020/21, however as at the 31 March 2020, the new leases had not been signed and so the future payments of these leases are not included in this note.

| | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|---|-----------------------------------|-----------------------------------|
| Obligations under operating leases comprise: | | |
| Buildings | | |
| Not later than one year | 414 | 423 |
| Later than one year and not later than five years | 406 | 617 |
| | 820 | 1,040 |

Operating Lease Income

The HRA entered into a lease with HS2 from the 26 April 2019 relating to the rental of floor space within the area occupied by the HRA at the Manchester Office. The end date of the lease is 11 June 2022.

| | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|---|-----------------------------------|-----------------------------------|
| Income under operating leases comprise: | | |
| Buildings | | |
| Not later than one year | 7 | 0 |
| Later than one year and not later than five years | 9 | 0 |
| | 16 | 0 |

12. Other financial commitments

The Health Research Authority entered into a five year contract on the 1st July 2017 with SBS for the provision of financial and accounting and payroll services. The annual cost of the contract is £162,716 (after indexation) and the contract expires on the 30th June 2022. At 31 March 2020, the HRA is in the final year of the contract for the provision of a managed service platform for the HARP and IRAS systems, which are key to the delivery of the HRA's statutory obligations. There is an option to extend this contract for 1 year.

At 31 March 2020 the HRA is in the final year of a 2 year contract for the platform licence fees, as part of the development for the New IRAS system, which are essential to enable the system to be developed and operate

The HRA exercised its option to extend for a further year the contract for the maintenance and helpdesk of the HARP and IRAS systems, together with the development of the HARP system, which is key to the delivery of the HRA's statutory obligations.

| | Year to 31 March 2020 £'000 | Year to 31 March 2019 £'000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | 932 | 841 |
| Later than one year and not later than five years | 260 | 421 |
| | 1,192 | 1,262 |

13. Losses and special payments

The details of the Health Authority losses and special payments can be found on page 48 in the Parliamentary Accountability and Audit report section of the annual report.

14. Contingent Assets

During 2018-19 the HRA submitted a case to HMRC to recover the VAT on the development costs of the new IRAS system. As at the 31 March 2020, a decision had not been received from HMRC. The HRA have received confirmation from HMRC that the suspension on our application has been lifted and that they will progress with reviewing our application.

15. Related Party Transactions

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

The Department of Health and Social Care 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 group accounting manual guidelines for agreeing creditor and debtor balances £500,000 and for income and expenditure balances the same threshold has been used £500,000.

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

16. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on 14 September 2020.

17. 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.

Financial assets

The Health Research Authority operates primarily within the NHS market and receives the majority of its income from DHSC and Devolved Administrations. IFRS 9 requires the HRA to adopt a lifetime credit loss model to its financial assets. The HRA has applied this model to its trade receivables (excluding NHS receivables) and assessed its credit loss value as at the 31st March 2020 to be £480 (31 March 2019 £1,926).

Financial liabilities

The Health Research Authority operates within both the NHS and non-NHS market for the supplies of goods and services. The organisations financial liabilities mainly consist of these short term trade creditors and accruals relating to the purchase of non financial items. The exposure to financial liability risk is therefore minimal.

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

| | £000 |
|----------------------|------|
| Not past due | 779 |
| Past due 0-30 days | 1 |
| Past due 31-120 days | 1 |
| More than 121 days | 0 |
