



UK Health  
Security  
Agency

# UKHSA Annual Report and Accounts 2021/22

HC 1086



# **UK Health Security Agency**

Annual Report and Accounts 2021-2022  
For the period 1 April 2021 to 31 March 2022

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## About UK Health Security Agency

UK Health Security Agency exists to be the UK's permanent standing capacity to prepare for, prevent and respond to health security hazards. UKHSA brings together the expertise of Public Health England and capabilities that were developed to respond to COVID-19, including NHS Test and Trace and the Joint Biosecurity Centre. We analyse and respond to over 10,000 health protection incidents each year, from infectious disease outbreaks to incidents of flooding and preparing for heatwaves, in addition to our ongoing work on the COVID-19 pandemic.

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UKHSA supports the  
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# Contents

<b>1 Performance report .....</b>	<b>8</b>
Chair's Report.....	8
Chief Executive's Report .....	14
Our purpose .....	19
Our role .....	19
Our priorities .....	19
Our organisation .....	20
People and budgets .....	24
UKHSA's national and local presence .....	26
Performance analysis.....	31
Financial review .....	43
Sustainable development and environmental management .....	55
<b>2. Accountability report.....</b>	<b>74</b>
Statement of Accounting Officer's responsibilities .....	74
Governance statement .....	76
Remuneration and staff report .....	135
Parliamentary accountability and audit report.....	166
The Certificate of the Comptroller and Auditor General to the House of Commons .....	173
Report of the Comptroller and Auditor General to the House of Commons .....	183

<b>3 Accounts</b> .....	<b>198</b>
Statement of comprehensive net expenditure .....	198
Statement of financial position .....	200
Statement of cash flows .....	202
Statement of changes in taxpayers' equity.....	203
Notes to the financial statements.....	204

# 1 Performance report

## Chair's Report

Welcome to UKHSA's first annual report, covering the period from our operational launch on 1 October 2021 through to 31 March 2022.

I was honoured to be appointed as UKHSA Chair in spring 2021 and then to help shape the establishment of our new organisation as the year progressed.

UKHSA was created during the pandemic, building on the foundations of its predecessor organisations to deliver public health scientific leadership and large scale flexible operational response.

Within weeks of our launch that capability was put to the sternest test when the Omicron variant emerged.

Our people delivered, deploying both world leading science to analyse the impact of the new variant as well as a huge operational and logistical response including meeting the demand for unprecedented volumes of PCR and rapid lateral flow tests.

Through this work to tackle COVID-19, the efforts to support the smooth transfer of its component agency functions, teams, data assets and systems into UKHSA, and our response to a multitude of other health security challenges, I have worked



with some of the most dedicated and skilled professionals the UK has to offer.

As Chair it was my great privilege to be asked to set up UKHSA's Advisory Board during 2021/22.

The Board began meeting from June 2022 and in public from September 2022 and our non-executive members are now bringing a wealth of expertise to bear from their diverse backgrounds in medical science, health, technology, local government, the military and third sector.

As UKHSA develops over the coming years, the Advisory Board will play a key role in offering advice, guidance and constructive challenge on the health security issues and opportunities its staff will face.

Our bi-monthly meetings are held in public, and I commend them to anyone with an interest in how UKHSA is run, the development of our priorities and plans, our financial and performance objectives and much more.

We have also established four Committees covering Audit and Risk, People and Culture, Science and Research, and Equalities, Ethics and Communities.

I hope you enjoy reading this first UKHSA annual report and I look forward to using documents like this, and our Board meetings, to provide updates on our progress.

As we radically scale back the COVID testing and tracing infrastructure, we are simultaneously investing in our people and building our capabilities in science, data, technology and process to better deliver our core purpose in managing infectious diseases and other health hazards.

We will ensure that our activities deliver increasing value to the public. We aim to be a partner of choice to public and private sectors, life sciences, academia and global health organisations, stimulating the economy, and providing real benefit to our stakeholders and funders.

And through the quality of our response to health threats, we will not only reduce harm to people's health, but we also reduce potential economic shocks, effects on society and on the services we all rely on – in particular the NHS.

The production of the organisation's accounts for the six months from inception of UKHSA to 31 March 2022 has proved to be highly challenging and problematic. This culminated in the Comptroller and Auditor General disclaiming his opinion on the financial accounts, which in effect means he had insufficient evidence to assure their accuracy to required accounting standards. Their opinion (included in this report) is derived from concerns regarding the valuation and existence of inventory, inadequacy of controls, high-level governance arrangements and difficulties with

validation of queries given high staff turnover in UKHSA

We accept the C&AG's conclusions, but it is important to understand the context in which UKHSA was established and operating, a significant proportion of which was outside the control of current UKHSA management.

Several key factors are relevant:

- the new leadership team inherited a very challenging mandate to establish UKHSA as an operational entity on 1 October 2021, six months after the appointment of the CEO and I and during the peak of the pandemic. Responsibility for the constituent elements of UKHSA sat elsewhere in that six-month period
- decisions had already been taken not to undertake a full audit of stock levels due to the global nature of the testing supply chain and the high risk of staff being infected by COVID in the stock count process
- likewise, the new team inherited a decision to launch with a new general ledger and accounting system different to that used in any of the three constituent organisations which came together as UKHSA. This led to arguably inevitable teething issues with the operation of the system and its controls frameworks

- the non-executive members of the Advisory Board could not be appointed until after a funding settlement had been agreed as this determined the scope and remit of the organisation, and therefore their role. That settlement was not achieved until 29 March 2022, effectively at the end of the accounting period. As such, the UKHSA Audit and Risk Committee did not meet until July 2022. Due to further delays in sign off, an independent qualified chair of that committee has still to be appointed
- linked to the above protracted delay in securing a budget, it proved very difficult indeed to hire permanent staff given lack of security of tenure, leading to a very high ratio of contractors and secondees, including at executive committee level
- the Living with COVID strategy announced in February 2022 required UKHSA to deliver a cut of around £12 billion (85%) in test and trace funding, immediately at the start of the 2022-23 financial year. As a result, over the critical weeks around the financial year-end, when year-end close and production of accurate financial accounts are normally the focus, the overriding priority was to ramp down spending, contracts and headcount. The resultant workforce instability and reductions contributed to the challenge in retrospectively responding to audit questions

- in summary, the organisational and epidemiological context of UKHSA in the twelve months covering the accounting period and audit process was extraordinarily unusual and profoundly challenging to the production of accounts to the required standard that would typically be seen in more mature organisations. My view is that factors that have contributed to the financial control issues identified were to a large extent outside the control of current management. The organisation as it exists today is substantially different in its relative stability, governance and controls. A comprehensive remediation plan is being put in place to address the residual issues and drive towards a stronger and more consistent control environment in the quickest possible timescale.

This has been a challenging and inspiring first year of operation with considerable organisational and personal learning and with so much more to do.

I would like to offer my heartfelt thanks to UKHSA's staff, and our key partners for their commitment, adaptability, creativity and resilience in helping to keep our country safe.

Ian Peters

Chair, UK Health Security Agency

## Chief Executive's Report

I am delighted to present the UK Health Security Agency's first annual report.

Our mission is to protect the public from infectious disease, chemical, biological, radiological, nuclear and other health threats.

To achieve this, we must constantly prepare and plan for health threats - preventing them wherever we can - respond quickly when they occur and build capability locally, nationally and globally so that we have the strongest possible health security system in place to protect lives, our health services, and the economy.

This year COVID-19 was our first and top priority and we can be proud of the way we deployed both our scientific expertise and operational response. This included our integral role in helping the nation safely transition to a new phase of the COVID-19 pandemic, supporting the Government's Living with COVID strategy and starting the process of proportionate decommissioning of services.

Our ability to monitor the epidemiology of this new virus and its population impact was a key part of our contribution. In 2021/22 UKHSA led or participated in many critical studies which shaped our knowledge of COVID-19. These ranged from the SIREN study which monitors infections in a large group of healthcare workers over time

through to our regular surveillance reports and technical briefings which provided world leading insights, including into the impacts of variants and the effectiveness of COVID-19 vaccines and therapeutics.

As the Omicron variant emerged at the end of 2021, these and other capabilities came to the fore, with our strong sequencing capability helping to identify the variant in the UK early and our health protection teams responding immediately on the ground.

UKHSA's logistical response ramped up too, with records broken for distribution of tests as the public answered the call to identify cases and protect themselves and others. At the peak, UKHSA distributed 22.8 million tests in a single day in January 2022.

Against the backdrop of this unparalleled pandemic response, and as noted in the Comptroller and Auditor General's Report and reflected in the disclaimer of his opinions on the financial statements, there were several factors, unprecedented in combination, that have contributed to a set of financial control issues. These factors include pre-existing audit concerns inherited from predecessor organisations which were themselves uniquely challenged by the pandemic; the context in which UKHSA was established including the delayed finalisation of non-executive member appointments, the

complexity of organisational mergers and concurrent pre-decided implementation of a new finance system ; and the considerable and often competing demands of workforce churn whilst responding to the pandemic and simultaneously delivering one of the largest spending cuts ever asked of a public service organisation. As far as I can ascertain, these were a unique set of contextual factors.

As Accounting Officer, I place high prominence on assuring robust corporate governance arrangements and financial controls and have moved at pace to ensure these are embedded in the new organisation from the outset. I recognise the importance of the audit outcome and I am committed to accelerating that journey and UKHSA becoming an exemplar in high-level governance arrangements. An improvement action plan is already in place and being actively progressed with appropriate oversight and assurance mechanisms agreed. Whilst the journey will take time, I am confident with appropriate start of year positional assessment and focus we can report significant progress in the months ahead.

Beyond COVID, UKHSA tackles a wide variety of incidents and outbreaks every year. In 2021/22 these included a case of Crimean Congo fever, cases of Lassa fever and monitoring and advising



on the human health risks of a record number of cases of avian influenza in wild and captive birds. Providing evidence, advice and interventions to drive public health action are all core components of our role; in autumn 2021 we took part in COP26, highlighting the health impacts of climate change and how to mitigate them. We informed practice to reduce antimicrobial resistance across the health and care system through our annual landmark English surveillance programme for antimicrobial utilisation and resistance (ESPAUR) report. These examples are a tiny fraction of over 160 specific health protection programmes which we contribute to or lead on a regular basis.

We also celebrated key anniversaries, legacies from predecessor organisations that UKHSA is proud to take forward, such as the 100-year anniversary of our National Collection of Type Cultures and the 5-year anniversary of the UK Public Health Rapid Support Team, our collaboration with the London School of Hygiene and Tropical Medicine which created a specialist team ready to respond to disease outbreaks around the world.

Under any circumstances all of this would keep an organisation and its people extremely busy, but I'm proud that we faced all of these challenges while managing the transition of our staff, capabilities and assets from Public Health England and NHS Test and Trace into UKHSA.

Our staff who deliver this work (from our scientists and public health experts to corporate services and logistics) are often unsung heroes, operating both directly on the frontline and behind the scenes to keep our communities safe, keep our society moving and reduce pressure on public services. They deserve great praise for their commitment, professional intervention and impact during 2021/22.

Dame Jenny Harries

Chief Executive, UK Health Security Agency

## Our purpose

UKHSA was launched on 1 April 2021 and became fully operational on 1 October 2021 as the nation's expert health security agency to prepare for, prevent, and respond to external hazards that could impact our health. We provide health security for the nation by protecting from infectious diseases, chemical, biological, radiological, nuclear and environmental hazards.

## Our role

We are the nation's expert health security agency, a forward looking and practical organisation, bringing together the health protection expertise of Public Health England and capabilities that were developed to respond to COVID-19, including NHS Test and Trace, the Joint Biosecurity Centre and the Vaccines Taskforce. We analyse and respond to over 10,000 health protection incidents each year, from infectious disease outbreaks to incidents of flooding and preparing for heatwaves, in addition to our ongoing work on the COVID-19 pandemic.

## Our priorities

As a new organisation, UKHSA has focused on moving to safely living with the ongoing COVID pandemic, while protecting the public from a

wide range of health hazards and strengthening preparedness for future threats. Our priorities in 2021 to 2022 were:

- continuing the response to COVID-19
- protecting the public from new and existing threats to health
- strengthening global health security
- establishing UKHSA as a dynamic and innovative organisation

Performance against these priorities is provided on pages 31 to 42 of this report.

## Our organisation

UKHSA is an Executive Agency of the Department of Health and Social Care (DHSC). We offer specialist and expert policy advice as part of delivering the Secretary of State for Health's statutory duty to protect the nation's health. We are accountable to the public through ministers and Parliament.

UKHSA is both a UK-wide agency and the body that delivers health security in England in partnership with national and local actors. Our remit extends to the whole of the UK where responsibility explicitly rests with the UK government, for example we represent the UK on the international

stage and we deploy specialist capabilities in areas such as radiation across the UK. Responsibility for the majority of health protection matters in Scotland, Wales and Northern Ireland rests with the devolved governments. On these issues, UKHSA provides health security in England, whilst working in close partnership with our counterparts in Scotland, Wales and Northern Ireland under the auspices of the UK Health Security Regulations (EU Exit) 2021 and the Common Framework for Public Health Protection and Health Security in order to deliver the best health outcomes for UK citizens. The Health Security Regulations have established for the first time a statutory framework for UK health security including the establishment on a statutory basis of the UK Health Protection Committee.

UKHSA's greatest asset is its people, and particularly how we can leverage our multi-disciplinary teams to deliver better outcomes for the UK.

UKHSA has unique scientific capabilities with exceptional world-leading assets including the breadth and depth of scientific expertise and the data we generate and collect as part of our health protection work and our specialist laboratories and facilities.

Alongside these assets, we occupy a distinctive place across the scientific and public health

systems, linking local, regional, national and global operations. We bring together an exceptional blend of scientific skills and expertise including environmental epidemiology, infectious diseases epidemiology, healthcare epidemiology, microbiology, virology, data science, toxicology, genomics, bioinformatics, biostatistics, modelling, public health, medicine, physics, radiation protection, chemistry, biomedical sciences, engineering, immunology, behavioural and social science, evaluation and implementation sciences.

We generate and collect exceptionally valuable data and information as part of the day-to-day health delivery of our health security functions. This includes laboratory and genomic surveillance and behavioural data. We have rare or unique capabilities and expertise in areas such high containment microbiology, animal models and radiation exposure assessment.

UKHSA already has extensive partnerships and collaborations. Between 2018 and 2022 UKHSA (and its predecessor, Public Health England) worked with 54 universities and 30 industry partners in support of the delivery of its health security mission.

## Public access: Freedom of Information requests, public enquiries and complaints

From 1 April 2021 to 31 March 2022 there were 1,098 statutory access requests received by UKHSA. Most of these were handled under the Freedom of Information Act; others being handled under the Environmental Information Regulations and General Data Protection Regulation (GDPR).

In the same period UKHSA received 15,060 public enquiries, 13,100 of which were COVID-19 related.

We are committed to providing a high-quality service to everyone we deal with. Where complaints arise, we want to resolve them promptly and constructively. Our published complaints procedure is available at [Complaints procedure - UK Health Security Agency - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101222/complaints-procedure-ukhsa.pdf). UKHSA handled 19,875 complaints during the financial year.

## Parliamentary questions

During the financial year UKHSA responded to 621 parliamentary questions and contributed to 85 Department of Health and Social Care and other government department parliamentary questions.

The most common topics related to COVID-19 Testing, Immunisations, Lateral Flow Tests (LFTs), Joint Committee of Vaccination and Immunisation (JCVI) and COVID-19 Surveillance.

## People and budgets

The table below shows the funding for UKHSA for 2022/23 with the Core Funding split between operational areas. In the first full year of UKHSA there is a significant amount of Ring-Fenced funding for COVID related work, which is shown separately.

	£m	£m
<b>Core Revenue Funding</b>		
Clinical & Public Health		57.4
Data, Analytics Surveillance		61.8
Health Protection Operations		99.4
Science		148.4
Business Support		129.8
Royalties and Balances		(43.8)
Total Operating Budget		453.0
<b>Ring-Fenced Revenue Funding</b>		
National Testing Programme - NHS	561.0	
National Testing Programme - Vulnerable Settings	377.0	
Genomics Sequencing and Other Enablers	337.0	
Prevalence and Surveillance	390.0	
Decommissioning	420.0	
Laboratory Capacity and Other Fixed Costs	287.0	
Total Ring-Fenced COVID Funding		2,372.0
Ring-Fenced Vaccines and Countermeasures		538.2
Total Ring-Fenced Funding		2,910.2
<b>TOTAL REVENUE FUNDING</b>		<b>3,363.2</b>
Capital Funding (excluding Science Hub)		117.0
Capital Funding (Science Hub)		18.0
Capital Funding (Vaccines)		(11.0)
<b>TOTAL CAPITAL FUNDING 2022/23</b>		<b>124.0</b>



In terms of whole time equivalent, at the beginning of the 2022/23 financial year, there were 11,100 staff in post with significant off-payroll numbers still required at that time to focus on short term COVID priorities (financed by ring-fenced funding) and on the retention of key specialist skills against the backdrop of large-scale organisational change. In order to move to right-size the organisation and provide a better value for money permanent workforce, plans are on track to reduce the workforce to 6,700 whole time equivalents by the end of the 2022/23 financial year.

As part of this process we estimate that up to 300 contingent labour roles will be replaced by civil servants in order to stabilise the organisation and enable it to deliver its long-term statutory requirements and priorities in a cost-effective manner, whilst enabling our front-line services to deliver in line with UKHSA's agreed remit. Due to the nature of the organisation and the need to be flexible and to respond quickly to emerging situations it is anticipated that we will have an ongoing requirement for a small percentage of staff to be employed under flexible or contingent terms.

## **UKHSA's national and local presence**

UKHSA is a collaborative organisation that works with partners and stakeholders wherever they are. Our headquarters are in London, situating us alongside government and national partners, and we have a network of laboratories and science campuses around the country, as well as nine regionally based teams.

Our regional teams perform a crucial role, acting as the gateway to all of our local health protection services and facilitating work with regional health leaders. Local health protection teams are the experts on the ground responding to the thousands of health security incidents and outbreaks we deal with every year.

Our scientific locations include Colindale, Chilton, Porton, Rosalind Franklin Laboratory and Harlow.

UKHSA also has a number of regional public health laboratories based in large NHS hospitals and a food, water and environment laboratory in York.



As shown in the financial review section, the significant majority of costs incurred in the period covered by this report were on Test and Trace activities. The scale of the Test and Trace response was unprecedented, with the largest diagnostic network in the UK's history created, and UKHSA staff working tirelessly to break the chain of virus transmission.

In terms of capability, at its peak there was a capacity to conduct 330,000 in-person tests per day with 528 local test sites, 500 mobile testing units, 90 regional test sites and 30 mobile processing units. Testing was conducted by 33,000 testing staff across 4 service management providers.

During the six-month period from October 2021 to March 2022, more than 66 million home test kits were despatched, including 12 million PCR kits, and 54 million LFD (pack of 7) test packs, equating to 380 million individual LFD tests, meeting ISO-accredited standards. When organisation led testing (OLT) is taken into account, including public and private sector, the NHS, education and adult social care, UKHSA despatched 1.1 billion LFD tests across the UK in this six-month period, including the peak of 22.8 million in one day in January 2022.

During the Omicron surge in December 2021 to January 2022, the number of home test kits delivered per day reached 540,000, with 1.6 million tests delivered to the new cohort of vulnerable individuals to enable access to new therapeutics and peaking with over 1.2 million orders for tests processed on a single day, and 560,000 PCR kits manufactured on a single day. The PCR kit delivery time was reduced during this period to within 24 hours, with a 40-hour turnaround time

for the average PCR test from registration to result. In all settings including OLT, distribution capacity increased during the Omicron surge from 60 million to 100 million tests per week.

The logistical operation was also of a unique scale. Advanced analytical tools were developed to model demand and capacity, and to support policy decisions, allowing ministers to make informed choices in response to public health and economic priorities. During the Omicron wave, demand forecasting was critical to informing PCR testing capacity and procurement decision making, and later to modelling the budget for Living with COVID policies in the 2022/23 financial year.

A distribution network was developed to deliver tests to UK citizens through a multi-channel distribution network that made it easy for end users to access tests, including deliveries to around 30,000 testing locations including physical test sites, schools, universities, private and public sector organisations.

Samples were collected and delivered to multiple laboratories, dynamically balancing real-time laboratory capacity with optimum transport routes to consistently achieve fast turnaround results, including 80% of physical channel results being communicated within 24 hours, and 90% of home channel results being communicated within 72

hours and more than 35,000 priority post boxes activated.

Following the publication of the “Living with COVID” policy in February 2022, work immediately began to reduce the network from 7 PCR manufacturing sites down to a single site and from 5 distribution centres down to 2. Contracts with suppliers and partners were renegotiated to adjust to lower testing volumes, whilst building in the capacity to scale up again as required.

## Performance analysis

The performance analysis sets out UKHSA's performance from 1 October 2021 to 31 March 2022 - the period during which UKHSA became fully operational. Progress is reported against objectives as set out in [UKHSA's Remit Letter for 2021/22](#). These objectives, in turn, support DHSC's [priority outcome](#) to "improve, protect and level up the nation's health, including reducing health disparities" which DHSC reports against. Ongoing PHE deliverables for 2021/22 that transitioned to UKHSA upon PHE's closure are reported in the below summary table, highlighting a number of key achievements.

On 1 October 2021, the relevant PHE strategic risks were transferred and accepted by the UKSHA Shadow Executive Committee. As a new organisation, UKHSA has been through a major period of organisational and structural change which has affected capacity and delivery of some priorities, as set out in the table below. It was also necessary to adapt some plans during this period of performance in order to ensure that UKHSA adequately responded to the COVID-19 Omicron variant.

UKHSA has taken forward a range of actions to strengthen its ability to work with the wider public health system to manage and mitigate

risks. Annual and cross-Government testing of pandemic preparedness and partaking in international surveillance has also been undertaken to strengthen its ability to respond to a pandemic. During the year UKHSA has also delivered a health protection response to the Commonwealth Games, supported by comprehensive plans with tested mitigations, further detail is set out in the table below.

More detail on how UKHSA's risk management arrangements, including assurance are set out in the governance section of this report on pages 76 to 134.

## Action

### Continuing the response to COVID-19

## Performance Summary

Our response to the emergence of the Omicron variant included:

- providing detailed analysis of the severity and transmissibility of the Omicron variant in a rapid manner, with situational updates provided daily



- within the first month, rapid purchasing of a further 350 million LFD tests enabled the doubling of the distribution capability through both home ordering and local authorities and enabling Test Operations to send 498 million tests in January, an average 98 million tests per week
- in response to the demand and to manage the Omicron variant a significant scaling up in testing capacity was needed. This included scaling up the home distribution of LFDs from 1 million per day direct to people's homes to 7 million per day, while also providing LFDs to pharmacies, schools and other sites. We also scaled PCR capacity to 672,000 tests per day and ensured PCR tests were appropriately prioritised for essential workers.
- providing clear guidance and communication to the public and updating this rapidly across the Omicron wave – including rapid analysis and introduction of day 5 and 6 testing to enable reduced isolation periods.

UK Health Security Agency (UKHSA) supported the roll-out of the various phases of the COVID-19 vaccination programme. This included:

- strengthening our surveillance system, successfully coping with the Omicron wave and expanded our sequencing capability reaching 105,000 sequences per week in Q4. This included weekly capability of 17,000 sequences in UKHSA laboratories, 64,000 in the Wellcome Sanger Institute and 24,000 in third party surge/resilience providers
- supporting the delivery of the COVID-19 vaccination programme (booster programme included), and flu vaccine programme in social care settings, working with DHSC, NHS England and other partners
- undertaking research, including exploring the relationship between vaccination rates, outbreaks and outcomes in social care settings; and studies to understand the functional activity of different vaccines against the Omicron variant
- publishing a weekly report on COVID-19 vaccine surveillance, detailing coverage across the population and identifying future actions
- ensuring effective, accessible messaging around COVID-19 vaccination, updating messaging to reflect the latest evidence-based recommendations, and addressing issues of low uptake and health inequalities, with the support and advice of key partners

UKHSA worked closely with the Cabinet Office COVID-19 Taskforce to ensure the Government's pandemic response was driven by robust analysis, public health evidence and up to date management information. This included:

- working closely with Government Departments, Directors of Public Health and Local Authorities to deliver scientific evidence and minimise disruption associated with COVID-19 control measures. For example, providing advice on COVID-19 control measures in schools to help minimise disruption for children and young children in education settings
- supporting and equipping Ministers to make evidence-based decisions by keeping them informed of all key data relating to testing operations performance (LFD availability, kitting, Laboratories & Logistics), forecast test demand, expected test capacity and resultant turnaround times
- sharing a variety of monitoring & surveillance products across Government, including the (daily) care homes outbreaks report and (weekly) deep dive on COVID-19 incidents in care homes in England
- regular reporting at the Variant Horizon Scanning meetings to ensure that potential threats are rapidly picked up and risk assessed

UKHSA supported the transition towards the government policy of Living with COVID-19, including rapidly repealing three sets of regulations and updating multiple pieces of public guidance.

## Action

### Protecting the public from new and existing threats to health

## Performance Summary

In collaboration with DHSC, we continued to protect the nation from infectious diseases and other hazards to health, drawing insights from data and surveillance systems combined with scientific innovations in data and science.

UKHSA played a key role in maintaining the UK's position as a world leader in whole genome sequencing. The UK reached the milestone of 2 million published sequences on 10 February 2022 and has now exceeded 2.5 million.

UKHSA's New Variant Assessment Platform enabled the UK to support other countries' response to COVID-19, strengthening global health security and protecting people in the UK and abroad.

We supported the expansion of the school-based flu immunisation programme.

Working with NHS England, we launched a five-year action plan to reduce tuberculosis (TB) cases in England. This will enable the UK to meet its commitment to the World Health Organisation's (WHO) End Tuberculosis Strategy and eliminate TB in England by 2035.

UKHSA contributed to the UK Anti-Microbial Resistance National Action Plan 2019-2024, by delivering on all key surveillance outputs while developing new systems for surveillance of COVID-19.

We provided expertise through publication of Hepatitis C in England report and HIV Pre-exposure Prophylaxis monitoring and evaluation framework.

The extensively-drug resistant *Shigella*'s outbreak, identified by UKHSA, triggered a European Centre of Disease Control rapid risk assessment which identified this as part of a European region increase.

Through the support of the Field Service team, the local health protection teams national teams and the NHS, UKHSA also successfully managed a major incident caused by a cluster of Lassa fever cases.

UKHSA contributed to the cross-government Clean Air Strategy and clean air zones/NO<sub>2</sub> delivery

board leading a national work programme to develop and share evidence base on air quality.

UKHSA has worked closely with the Devolved Administrations to produce a joint work plan with the European Centre for Disease Prevention and Control, signing a Memorandum of Understanding. We have further supported increased cooperation for health protection between the four UK nations, delivering a published signed non-legislative framework.

We have supported emergency planning for the Commonwealth Games Programme.

Following the outcomes of the spending review settlement, UKHSA have updated the scope of the Science Hub Programme and the Programme Business Case.

## Action

### Strengthening global health security

#### Performance Summary

UKHSA continued to provide and coordinate Global Health Security expertise in the UK. We represented the UK in global health security fora, including via the WHO, and secured a Memorandum of Understanding with the European

Centre for Disease Prevention and Control (ECDC) in December 2021. We worked collaboratively with a diverse array of partners (such as UN intergovernmental organisations, public, private, academic and charities) both within the UK and globally.

We delivered on specific Official Development Assistance-funded projects, in particular the UK Public Health Rapid Support Team, which deployed 6 people internationally between October 2021 and March 2022 to countries such as Cambodia, Papua New Guinea and Burkina Faso to provide support on COVID-19 and Yellow Fever. UKHSA also supported low- and middle-income countries partners to implement their disease outbreak and epidemic responses.

We supported the implementation of the Sendai Framework for Disaster Risk Reduction, the Paris Agreement and the SDGs in partnership with UN Agencies, including WHO, local and global stakeholders, the private sector and academic institutions.

We also provided technical expertise to develop guidance and advice, in collaboration with WHO, on effective health security preparedness and contributing to setting standards at national, regional and global level. UKHSA has a leading role in the global eradication, elimination and disease

control programmes that form part of the WHO's Expanded Programme on Immunisation.

UKHSA coordinated and oversaw the UK's certification under the global eradication of polio, and the regional elimination of measles and rubella.

To continue to ensure global and national health security and protection from serious cross-border threats to health, UKHSA is developing an operational platform to enable the secure exchange of confidential and patient related information with other countries and UK-wide syndromic surveillance.

To build on the UK's global leadership role in health protection, a new Centre for Pandemic Preparedness was established as part of UKHSA. The Centre is set to become a world-leading hub for all aspects of pandemic preparedness.

Other key achievements for the period from 1 Oct 2021 to 31 March 2022 include:

- the UK Overseas Territories (UKOT) public health programme provided support to all twelve territories, which span Europe, the South Atlantic and the Caribbean, in areas such as COVID-19 support and guidance, implementation of the International Health Regulations (IHR), as well as weekly teleconferences on global outbreak progress and public health measures



- UKHSA ran a project, funded by DHSC, to strengthen International Health Regulations (IHR), training over 2000 people in Nigeria, Pakistan, Ethiopia, Zambia and across the Africa and Asia regions across a number of IHR domains
- UKHSA initiated a new project, funded by the Gates Foundation, working in partnership with the International Association of National Public Health Institutes (IANPHI) members to improve global and country level Integrated Disease Surveillance systems

## Action

Establish UKHSA as a dynamic and innovative organisation

## Performance Summary

Following the 22/23 Spending Review outcome to determine resource allocations, UKHSA developed detailed business plans and collectively agree the 22/23 Remit Letter with DHSC. We implemented a change programme that will be used as the vehicle to right size structures, ensure the organisation remains affordable and is structurally in a position to still deliver its long-term outcomes and strategic priorities.

The Data Platform Transformation Programme was launched to rationalise and consolidate our existing data platform capabilities, and to help fulfil our mission and continue to deliver service to the UK government and trusted partners.

As part of this Programme, UKHSA have begun work to develop an Enterprise Data and Analytics Platform (EDAP) which will consolidate and unify our data assets in a common Enterprise Data Platform, enable data to be collected once and used often, enabling standardisation of both processes and tools used to analyse data, maturing our data capabilities and extending our ability to acquire data to reduce the gaps in the evidence-base for health security and protection.

## Financial review

### Accounts direction

The financial statements contained within this annual report and accounts relate to the financial year ending 31 March 2022. They have been prepared in accordance with the Accounts Direction given by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

### Accounts preparation and overview

The accounts set out on page 198 onwards consist of primary statements that provide summary information and accompanying notes. They comprise a Statement of Comprehensive Net Expenditure (SoCNE), a Statement of Financial Position (SoFP), a Statement of Cash Flows (SoCF) and a Statement of Changes in Taxpayers' Equity (SoCTE). The accounts were compiled according to the standards set out in the Government Financial Reporting Manual (FReM) issued by HM Treasury, which is adapted from International Financial Reporting Standards (IFRS).

As detailed in the Certificate and Report of the Comptroller and Auditor General (C&AG) of the House of Commons, the C&AG has chosen to disclaim his opinion on UKHSA's 2021-22 financial statements, with the disclaimer opinion relating to

both the true and fair and regularity aspects of the C&AG's opinion. The Governance statement below explains the context to this.

### **Our funding regime – budget analysis**

Funding for revenue and capital expenditure was received through the parliamentary supply process as Parliamentary funding and allocated within the main DHSC estimate. We also received significant additional income from services provided to customers.

### **Funding in the year ending 31 March 2022**

For 2021/22, the funding limits set by DHSC for non-ring fenced RDEL (excluding vaccines) was £7.9 billion which included £7.5 billion of COVID funding.

### **Financial performance against budget**

In the year ending 31 March 2022, UKHSA achieved its financial targets by managing resources in line with the budgets set and allocated by DHSC. UKHSA's outturn for the six months was an underspend of £1.1 billion on a total operating budget (excluding vaccines) of £7.9 billion.

UKHSA undertook a wide range of operational activities. Variations within each category of activity

are expected and financial performance within each category was reported to UKHSA's management throughout the period. The underspend can be expressed as being 13% of the operating activities budget of £7.9 billion.

Financial control was achieved across the organisation through budgetary allocations, which were flexed during the period as required and depending on public health priorities. Financial performance was monitored through high level reports to the DHSC and the UKHSA Executive Committee, and by detailed reports to senior management teams and individual budget holders.

UKHSA's financial outturn was supported by external operational income of £94m earned from trading activities, royalties and research funding.

UKHSA operates in a challenging and ever-changing environment however UKHSA remains well placed to continue to manage its resources and deliverables in line with anticipated future funding settlements. Expenditure is reviewed continually as part of the efficient management of the organisation.

Operating expenditure continued to be largely funded by Parliamentary funding from DHSC. A commercial strategy supported the organisation in continuing to deliver income at sustainable levels,

recognising that at least some of this was driven by market demand.

### Overall results against budgets (Revenue)

The following tables provide a summary of UKHSA's financial performance for the year showing a high-level breakdown of income and expenditure against budget.

The reported underspend resulted from the volatility against the demand led testing, in particular the impact of policy changes towards the end of the reporting period.

The financial performance for non-ring-fenced RDEL (Excluding Vaccines) was as follows;

<b>Non-ring fenced RDEL (Excluding Vaccines)</b>	<b>Budget (£m)</b>	<b>31/3/22 Outturn (£m)</b>	<b>Variance (£m)</b>
ODA	2.3	4.5	(2.2)
COVID-19 Medicines	2.2	3.0	(0.8)
Test and Trace – admin	394.2	120.8	273.4
Test and Trace – programme	7,466.5	6,692.3	774.2
BAU – admin	9.6	31.5	(21.9)
BAU – programme	64.6	34.7	(29.9)
<b>Total non-ring fenced RDEL (Excluding Vaccines)</b>	<b>7,939.4</b>	<b>6,886.8</b>	<b>1,052.6</b>

The financial performance for non-ring-fenced RDEL (Vaccines) is shown separately as follows.

Responsibility for the policy, strategy and managing the budget for 2021/22 for these areas rested with DHSC, however UKHSA controlled inventory and therefore accounted for inventory during the year. During the period COVID Vaccines were procured by the Vaccine Taskforce and donated to UKHSA and then stored and distributed to the NHS by UKHSA.

	<b>Budget (£m)</b>	<b>31/3/22 Outturn (£m)</b>	<b>Variance (£m)</b>
Non-COVID Vaccines and Countermeasures	344.1	297.5	46.6
COVID Vaccines Distribution Programme	29.0	25.3	3.7
COVID Vaccines Received and Issued (Net non-cash gains and losses on donation)	(167.0)	(178.2)	11.2
<b>Total non-ring fenced RDEL (Vaccines)</b>	206.1	144.8	61.3

The financial performance for ring-fenced RDEL spend is as follows. Ring-fenced RDEL relates to depreciation, amortisation and some impairments and the overspend relates to the impairment of inventory.

<b>Ring-fenced-RDEL</b>	<b>Budget (£m)</b>	<b>31/3/22 Outturn (£m)</b>	<b>Variance (£m)</b>
Ring-Fenced RDEL	275.3	304.9	(29.6)

The financial performance for Annually Managed Expenditure (AME) spend is as follows. AME relates to impairments of inventory due to market price movements and to movements in provisions.

<b>Annually Managed Expenditure</b>	<b>Budget (£m)</b>	<b>31/3/22 Outturn (£m)</b>	<b>Variance (£m)</b>
Annually Managed Expenditure	300.0	224.1	75.9

The financial performance information above forms the basis of the Statement of Comprehensive Net Expenditure.

These tables are not a replica of the Statement of Comprehensive Net Expenditure reported in the accounts, due to the treatment of some expenditure items (for example gains and losses on absorption transfer not scoring to budgets). The headings used in this table reflect the categories of ring-fenced expenditure agreed with our parent department, DHSC.



This table presents UKHSA's figures in £ millions. The financial statements and notes in the main accounts report in £ thousands. Some minor rounding differences may therefore appear when any one grouping of figures is compared.

### Overall results against budgets (Capital)

Capital expenditure for 2021/22 totalled £448 million negative spend. The following table provides a summary of our financial performance for the period showing a high-level breakdown of spend against budget for the period. The negative spend against capital reflects reduced levels of inventory. HMT has prescribed budgeting treatment for test and trace inventory where on purchase it scores to capital budgets and when consumed a capital credit is generated with a corresponding resource hit. As such where consumption or impairment of test and trace inventory is higher than forecast, a lower capital spend is realised.

<b>Capital Project</b>	<b>Budget (£m)</b>	<b>31/3/22 Outturn (£m)</b>	<b>Variance (£m)</b>
Science Hub	85.8	34.3	51.5
Vaccine Deployment	4.6	(0.9)	5.5
Test and Trace	509.5	(473.5)	983.1
Core Capital	25.3	19.1	6.2
VCR Capital	0.0	(27.2)	27.2
<b>Total</b>	<b>625.3</b>	<b>(448.2)</b>	<b>1,073.5</b>

## Expenditure

As this is the first report for UKHSA there are no comparative spend figures. Furthermore, the pandemic has had a significant effect on spending levels with the majority of spend in the period relating to Test and Trace activities.

## Relationships with Suppliers

We were committed to the Better Payment Practice Code, the policy being to pay suppliers within 30 days of receipt of a valid invoice. We established the following internal targets:

- 75% to be paid within 10 days of receipt of a valid invoice

- 95% to be paid within 30 days of receipt of a valid invoice

Our systems recorded the invoice date rather than the date of receipt, so payment would have been slightly faster than the statistics recorded below.

For the year ending 31 March 2022, 44% and 26% of supplier bills (by value and volume respectively) were paid within 10 days and 78% and 60% within 30 days..

From 1 October 2021 UKHSA became fully operational and, in parallel, introduced a new ERP system. As part of the implementation of the new ERP system UKHSA experienced an invoice processing freeze. The business combination together with the invoice processing freeze resulted in a back log of invoices and invoice processing results that fell well below the targets. UKHSA is committed to continue the improving trend of invoice processing throughout 2022/23.

<b>Payment Period in Days</b>	<b>0 to 5</b>	<b>6 to 10</b>	<b>11 to 30</b>	<b>Over 30</b>	<b>Total</b>
Value of invoices (£000s)	1,417,674	1,521,926	2,294,635	1,437,830	6,672,065
Percentage	21.2%	22.8%	34.4%	21.6%	100.0%
Number of invoices	5,761	7,437	17,361	20,748	51,307
Percentage	11.2%	14.5%	33.8%	40.5%	100.0%

## Exposure to liquidity and credit risk

Since UKHSA's net revenue resource requirements were mainly financed through Parliamentary funding, the organisation was not exposed to significant liquidity risks. In addition, most of our partners and customers were other public sector bodies, which means there was no deemed credit risk. However, UKHSA had procedures in place to regularly review credit levels. For those organisations that were not public sector bodies, UKHSA had policies and procedures in place to ensure credit risk was kept to a minimum.

## Pensions costs for current staff

The treatment of pensions liabilities and relevant scheme details are set out in the Remuneration and staff report.

## Assets and liabilities

UKHSA's assets of £2.6bn largely consists of £1.1bn of inventory, being: £468m attributable to non-COVID vaccines, £264m attributable to COVID vaccines and £361m of Test and Trace inventories, and £0.9bn of property, plant and equipment.

Of the £2.2bn of current liabilities, £1.9bn relates to accruals as at 31 March 2022. £1.6bn of these

accruals are relating to Test and Trace expenditure, and £215m of Goods Received Not Invoiced.

## Efficiency measures and delivering value for money

UKHSA participated fully in the government's governance controls and transparency rules. Expenditure and procurement controls are embedded throughout UKHSA's business-as-usual processes and complement operational management.

## Hosted services

During 2021/22, UKHSA continued to provide a range of support services to Porton Biopharma Ltd, an investment inherited from PHE. These services formed part of an overall charge from UKHSA for corporate overheads. The income and expenditure transactions for Porton Biopharma Ltd processed by UKHSA did not form part of the UKHSA accounts.

## Porton Biopharma Ltd

Porton Biopharma Ltd (PBL) was formed on 1 April 2015, as a spin-out company undertaking pharmaceutical development and production processes. PBL is a company limited by shares,

with 100% of the shares being owned by the Secretary of State for Health and Social Care. In turn, the Ministers have directed that the operational relationship with PBL should now be through UKHSA (previously through PHE). The company is based at Porton Down, within the facility owned by PHE formerly.

The funding contribution from the pharmaceutical manufacturing activity previously earned under UKHSA is now replaced by an annual dividend from PBL. The dividend is paid from profits generated by PBL. No dividend was declared in the year ending 31 March 2022.

### Audit services and costs

The Comptroller and Auditor General is head of the National Audit Office (NAO) and is appointed as the external auditor of UKHSA under section 7 of the Government Resources and Accounts Act 2000. The auditor's remuneration for the year ending 31 March 2022 was £401k. This is a notional fee.

The internal audit function has been provided by Health Group Internal Audit Service, part of the Government Internal Audit Agency (GIAA) under a non-statutory engagement to provide an independent review of the systems of governance, risk management and internal control.

## Sustainable development and environmental management

This report describes our sustainability reporting requirements for the 2021/22 financial year. As UKHSA has only recently been formed it has been agreed by DHSC and Defra that the baseline reporting year for UKHSA's sustainability reporting will be 2022/23

Preliminary analysis indicates that UKHSA's total reportable carbon emissions for Q3 and Q4 of 2021/22, are 5,539 tonnes (t) of carbon dioxide (CO<sub>2</sub>) equivalent (tCO<sub>2</sub>e) inclusive of our site at Harlow. In line with Greening Government Commitment requirements, we are reporting on our owned estate of 86,042m<sup>2</sup> and on an establishment of 10,846 full-time equivalent posts. UKHSA's focus has continued to be predominantly on the COVID-19 emergency.

As approved by Defra, the emissions data for our Harlow site will be shown separately.

The data in this report comprise Scope 1, 2 and 3 carbon emissions from our reportable and for completeness also our non-reportable sites, including emissions related to water usage and waste. Non-reportable sites are those offices, and or laboratories, that are reported separately by the premise's landlord. UKHSA generates some of

its energy from photovoltaic renewable sources, and these energy figures are subtracted from the reportable total.

Over the 6 months covered by this report, our reportable business travel emissions have been 199 tCO<sub>2</sub>e.

We have our own e-learning training programme on sustainable development, which 1,362 members of staff have completed to date. This bespoke training provides our staff with a good understanding of sustainable development in UKHSA and encourages them to act in a sustainable manner by considering their impact on the environment.

During the transition to UKHSA our environmental policies were reviewed and updated; this includes our Sustainable Development Management Plan, which is our main strategy document for sustainable development for the organisation. This strategy document identifies the direct connection to the UN Sustainable Development Goals (SDG's), with each section highlighting how our work in a specific area aligns to one or more of the SDG's. It also identifies how we will work to be operationally Net Zero Carbon across our estate.

### Greenhouse gas emissions

The UKHSA took over the owned estate from the previous DHSC executive agency, Public Health

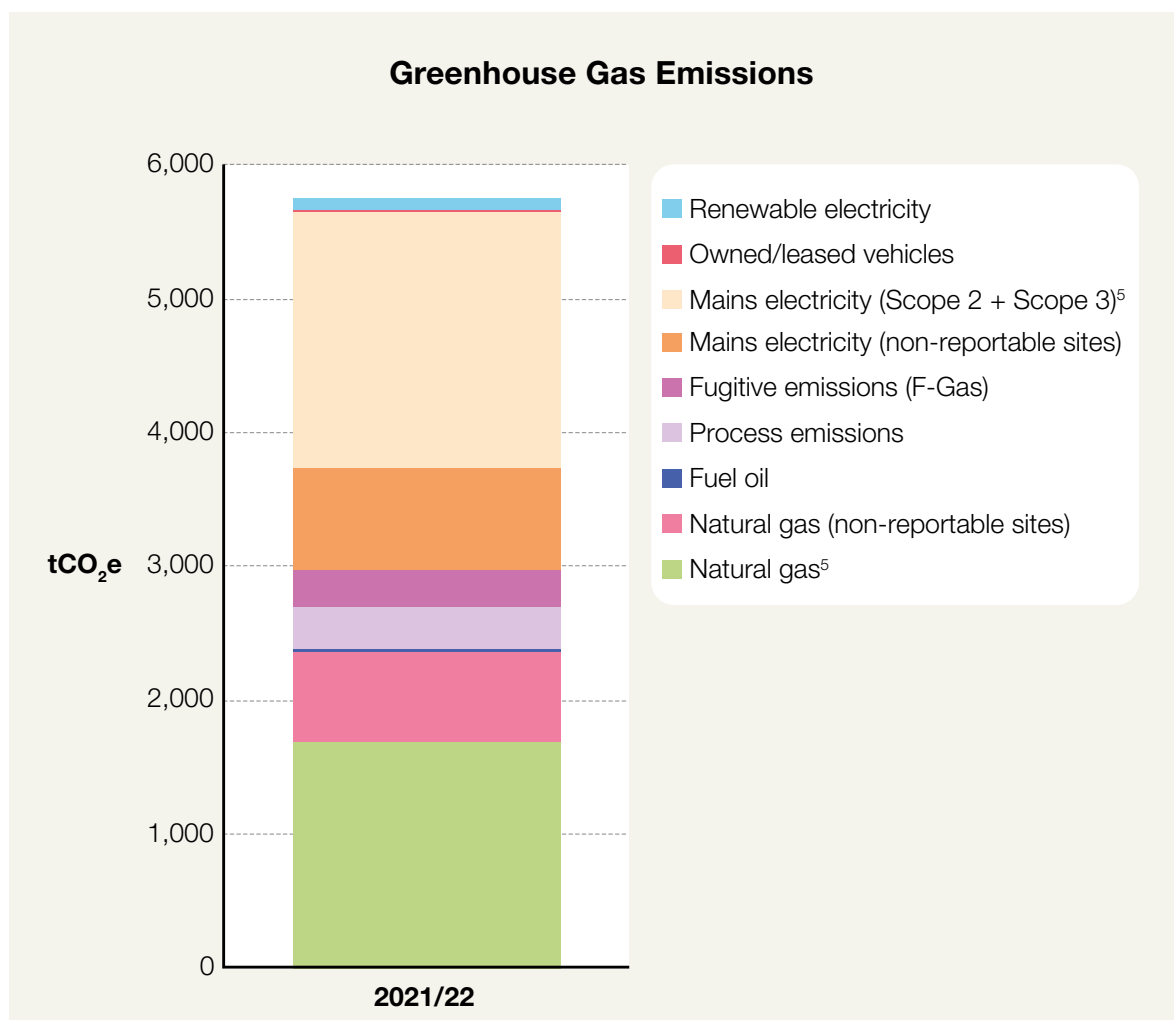


England. The data below shows the first 6 months of UKHSA's operations.

<b>GREENHOUSE GAS EMISSIONS</b>		<b>2021/22</b>
<b>SCOPE 1 + 2</b>		
<b>Non-financial indicators (tCO<sub>2</sub>)</b>	Natural gas <sup>5</sup>	1,683
	Natural gas (non-reportable sites)	625
	Fuel oil	8
	Process emissions	149
	Fugitive emissions (F-Gas)	285
	Mains electricity (non-reportable sites)	661
	Mains electricity (Scope 2 + Scope 3) <sup>5</sup>	1,909
	Owned/leased vehicles	14
	Renewable electricity	81
<b>Related energy consumption (kWh)</b>	Natural gas	9,189,516
	Natural gas (non-reportable sites)	3,381,954
	Fuel oil	32,220
	Process emissions <sup>2</sup>	815,680
	Mains electricity (non-reportable sites)	2,859,371
	Mains electricity (Scope 2 + Scope 3)	8,508,919
	Renewable electricity <sup>4</sup>	350,868
<b>Related consumption (kgCO<sub>2</sub>)</b>	Fugitive emissions (F-Gas) <sup>4</sup>	128,845
<b>Related Scope 1 travel (km)</b>	Owned/leased vehicles	79,182
<b>Financial indicators (£)</b>	Natural gas	323,038
	Fuel oil <sup>1</sup>	2,194
	Owned/lease vehicles (fuel/i-expenses)	5,895
	Fugitive emissions (F-Gas) <sup>3</sup>	7,207
	Mains electricity (reportable)	1,403,601
	Renewable electricity <sup>4</sup>	38,971
<b>Total Emissions Scope 1 + 2 (tCO<sub>2</sub>)<sup>6</sup></b>		<b>4,048</b>
<b>Total gross emissions from non-reportable sites Scope 1 + 2 (tCO<sub>2</sub>)</b>		<b>1,286</b>
<b>Renewable Energy tCO<sub>2</sub></b>		<b>81</b>

- 1 Fuel oil only calculated for reportable sites
- 2 Process emissions from the Porton incinerator
- 3 F-Gas costs from UKHSA's major owned sites are absorbed as part of the service contract.
- 4 Renewable energy from Porton, Chilton and Colindale PV
- 5 Harlow data is reported separately
- 6 Renewable energy has been not been included in this figure

## UKHSA's Scope 1 and 2 emissions



- 1 Fuel oil only calculated for reportable sites
- 2 Process emissions from the Porton incinerator
- 3 F-Gas costs from UKHSA's major owned sites are absorbed as part of the service contract
- 4 Renewable energy from Porton, Chilton and Colindale PV
- 5 Harlow data is reported separately
- 6 Renewable energy has been netted in this figure

Scope 1 and 2 emissions for UKHSA Harlow, are detailed below.

<b>UKHSA HARLOW GREENHOUSE GAS EMISSIONS</b>		<b>2021/22</b>
<b>Non-financial indicators (tCO<sub>2</sub>)</b>	Natural gas	<b>0</b>
	Mains electricity	<b>124</b>
<b>Related energy consumption (kWh)</b>	Natural gas	<b>0</b>
	Mains electricity	<b>536,574</b>
<b>Financial indicators (£)</b>	Natural gas	<b>0</b>
	Mains electricity	<b>144,037</b>
<b>Total Gross Emissions (tCO<sub>2</sub>)</b>		<b>124</b>

## Water consumption

The reportable usage of water for the estate was 34,738 m<sup>3</sup>, with a further estimated 6,678 m<sup>3</sup> being used by our non-reportable sites, though this is estimated in many places due to the lack of metering. It should be noted that the cost of water has increased substantially equating to a larger financial cost this year.

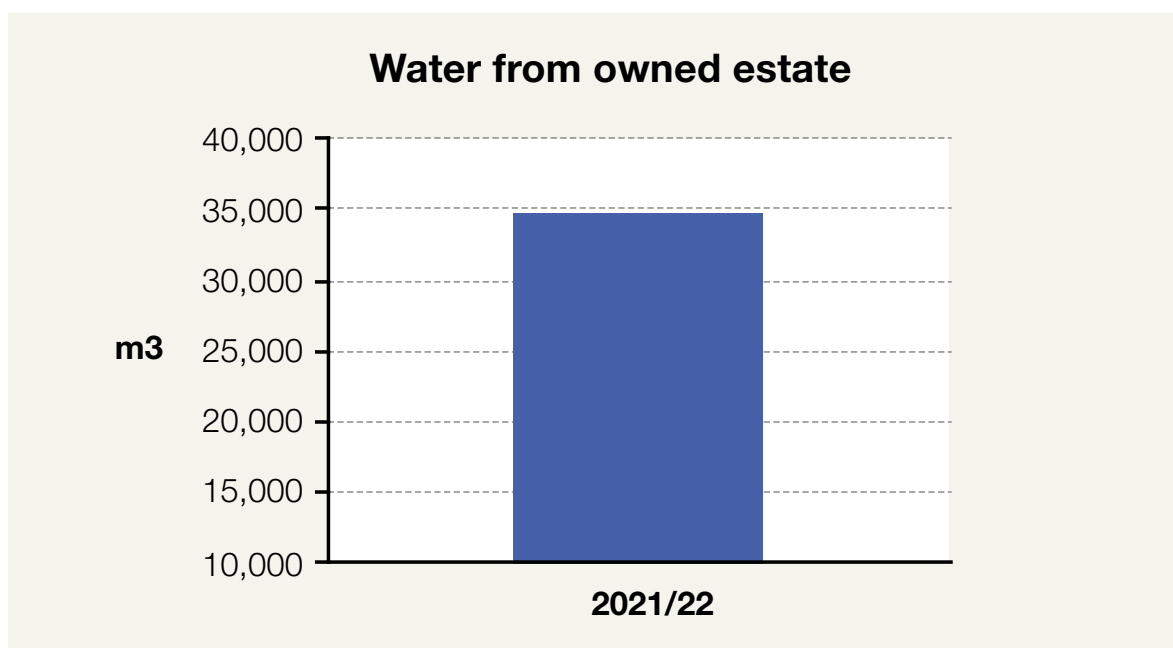
<b>Water</b>		<b>2021/22</b>
<b>SCOPE 3 (Water)</b>		
<b>Non-financial indicators (m<sup>3</sup>)</b>	Water from office estate (reportable)*	0
	Water from whole estate (reportable) [excluding office estate] **	34,738
	Total for reportable estate (m <sup>3</sup> )	<b>34,738</b>
	Water from office estate (non-reportable) *	3,053
	Water from whole estate (non-reportable) [excluding office estate]	3,625
	Total for non-reportable estate (m <sup>3</sup> )	6,678

Water		2021/22
<b>Financial indicators (£)</b>	Water supply costs**	<b>92,098</b>

\* Estimated usage

\*\* Cost from our owned estate only

Our non-reportable estate is a mixture of office and laboratory facilities, which makes it difficult to differentiate their water usage into any meaningful datasets.



Water that was consumed at offices and laboratories embedded in tenanted, non-reportable, accommodation was estimated using a recognised benchmarking algorithm.

The water supply to our major sites was monitored and measured, and therefore the pattern of daily usage is known to our facilities teams.

Below is the data we have collated for the UKHSA Harlow site.

<b>WATER (Harlow)</b>		<b>2021/22</b>
Non-Financial Indicators (m3)	Water usage	4,278
Financial Indicators (£)	Water supply costs	3,850

The main use of water at this site is for the construction works being undertaken. It should be noted that water usage during construction is expected to be significant.

## Waste

UKHSA's total waste figure for 2021/22 (i.e. Q3 and Q4) was 309 tonnes.

Non-hazardous waste sent to landfill, from across our owned estate, was some 7 tonnes this year.

ICT waste is collected and disposed of as part of the government contract with Computer Disposals Limited (CDL) who have been engaged to recycle and reuse, wherever possible, all redundant ICT equipment. This approach is an effective method of disposal for this waste stream and this is supported by government policy. Approximately 11 tonnes of ICT waste have been processed in this manner over the last 6 months.

Due to the nature of the work carried out across our estate, a significant quantity of hazardous waste is produced, and controls are in place to manage this. The majority of this waste is sent for incineration, in compliance with government guidelines.

Initiatives have been introduced to reduce waste at all locations, covering both offices and laboratories. Contractors working at UKHSA sites are constantly reminded about their obligation to reduce their waste wherever possible, in line with UKHSA's waste policy and the associated management arrangements.

We are also establishing a process to report on CSUP's from our owned estate, and we hope to have this in place by Q4 of next year.

<b>Waste</b>	<b>2021/22</b>
<b>SCOPE 3 (Waste)</b>	
<b>Non-financial indicators (tonnes)</b>	
Waste recycled externally (non-ICT equipment)	96
Waste reused externally (non-ICT equipment)	5
Waste recycled externally (ICT equipment)	7
Waste reused externally (ICT equipment)	4
Waste composted or sent to anaerobic digestion	11
Waste incinerated with energy recovery	122
Waste incinerated without energy recovery (clinical waste)	67
<b>Totals</b>	
Total waste not sent to landfill	302
Total waste sent to landfill deemed non-hazardous	7
Total waste sent to landfill deemed hazardous (including clinical waste) *	1
<b>Total waste (tonnes)</b>	<b>309</b>

<b>Financial indicators (£)</b>	
Waste recycled externally (non-ICT equipment)	39,642
Waste reused externally (non-ICT equipment)	0
Waste recycled externally (ICT equipment)	0
Waste reused externally (ICT equipment)	0
Waste composted or sent to anaerobic digestion	5,861
Waste incinerated with energy recovery	171,935
Waste incinerated without energy recovery (clinical waste)	74,763
<b>Totals</b>	
Total non-hazardous waste sent to landfill	1,675
Total landfill waste deemed hazardous (including clinical waste)	5,096
<b>Total waste (£)</b>	<b>298,971</b>

\* Not reportable under GGC reporting requirements



## Waste (Harlow)

The estimated general waste from the Harlow site for 2021/22 is shown below, though we are still awaiting further waste data from our main contractors, which is not currently available. The sites general waste is disposed of via an incinerator with energy recovery.

It is anticipated that a large amount of construction waste, and soils, will be produced during the redevelopment of this site, which will be reused or recycled during the construction phase of this ongoing project.

<b>WASTE (Harlow)</b>		<b>2021/22</b>
Non-Financial Indicators (kg's)	Waste usage	120
Financial Indicators (£)	Waste costs	2,221

## Business travel

During the COVID-19 pandemic, the great majority of our non-laboratory staff have worked from home and utilised video conferencing software to continue doing business as usual. This has meant that the amount of business travel undertaken in UKHSA in 2021/22 has been relatively low, this is highlighted in the table below and illustrated in the graphs.

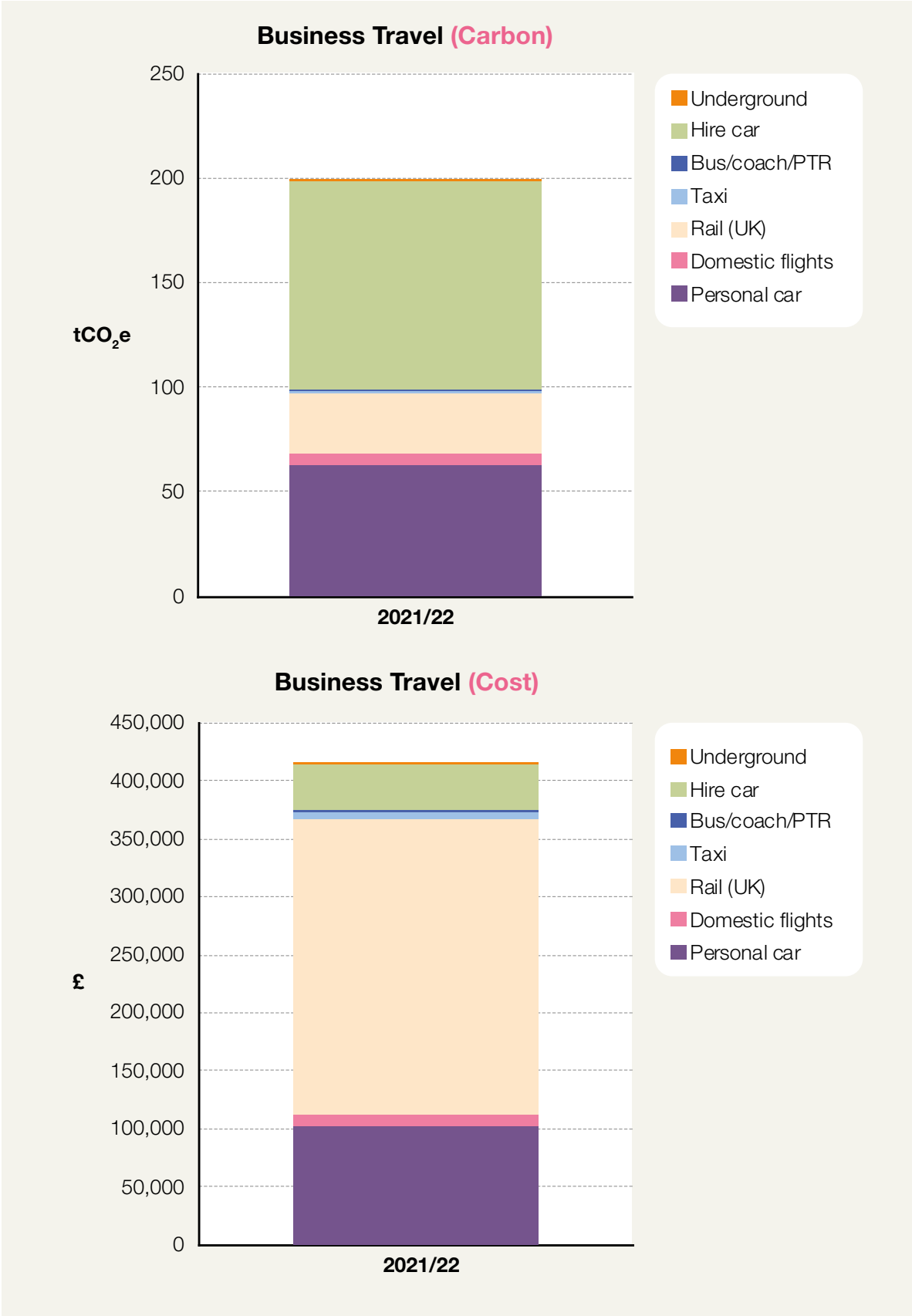
UKHSA will continue to introduce new initiatives for reducing travel emissions by reducing the number

of journeys we make whilst looking for less carbon-intensive ways of working.

We are currently reviewing our fleet/lease vehicles to identify how many meet the government's ULEV protocol.

<b>Business Travel</b>		<b>2021/22</b>
<b>Non-financial indicators (tCO2)</b>	Personal car	63
	Domestic flights	6
	Rail (UK)	29
	Taxi	0.404
	Bus/coach/PTR	0.039
	Hire car	101
	Underground	0.006
	<b>Total</b>	<b>199</b>
<b>Related Scope 3 travel (km)</b>	Personal car	366,124
	Domestic flights	67,700
	Rail (UK)	853,047
	Taxi	2,718
	Bus/coach/PTR <sup>1</sup>	378
	Hire car <sup>1</sup>	589,858
	Underground <sup>1</sup>	213
	<b>Total</b>	<b>1,880,037</b>
<b>Financial indicators (£)</b>	Personal car	102,458
	Domestic flights	8,969
	Rail (UK)	254,991
	Taxi	6,378
	Bus/coach/PTR	939
	Hire car	41,014
	Underground	687
	<b>Total</b>	<b>415,436</b>
<b>Other business travel (km)</b>	Short-haul international average	8,295
	Long-haul international average	105,404
	Rail: Eurostar	0
<b>Total</b>	Total Gross Emissions Scope 3 Business Travel (tCO2)	<b>199</b>
	Total Financial Cost Scope 3 Business Travel (£)	<b>415,436</b>
	Total Other Financial Cost, not covered in Scope 3 (£)	<b>114,795</b>

1 Figures calculated using our own conversion table



## Other activities

We will play an active role with the DHSC on sustainable development of the estate. UKHSA will be implementing the governments smarter working strategy and consolidating parts of its leased estate into the governments central hub. We are in the process of developing our operational Net Zero Carbon reduction plan with the ambition to be carbon neutral for our owned estate by 2030. These strategies in turn, will lead to a total reduction of our carbon footprint.

UKHSA has no properties within SSSI or AONB boundaries, although where we believe we may have an impact on the local biodiversity (for example, due to planned building works etc.) biodiversity assessments are made to understand any impact on the local flora and fauna.

## Sustainable Procurement

UKHSA's commercial department, supported by internal stakeholders, seeks to use its buying power to positively impact key public health and social agendas. This work is underpinned by our commitment to the Social Value Act 2012 and the Modern Slavery Act 2015.

UKHSA will drive forward sustainability and social value into its procurement activity and the procurement team will actively build Social Value

considerations into tenders. The team will continue to work with its key strategic suppliers on their sustainability activities.

UKHSA works closely with the DHSC Health Family and Cabinet Office to learn and share best practice. Training courses are being developed for commercial staff across UKHSA involved in developing specifications and managing contracts, so that our purchases can positively support UKHSA's social and public health agenda.

## Climate Change

UKHSA has continued the work that PHE had been doing with colleagues from the Department of Health and Social Care (DHSC), NHS England and the Greener NHS team to identify high-level health objectives under the auspices of the second National Adaptation Programme (2018-2023).

The high-level objectives have been agreed across government and published in The National Adaptation Programme and the Third Strategy for Climate Adaptation Reporting.

UKHSA is undertaking the following processes to support its commitment in the National Adaptation Programme to develop an adverse weather and health plan:

- conducting a systematic literature review on interventions to reduce heat related harms to health to inform the development of the adverse weather and health plan and related climate adaptation recommendations
- commissioned behavioural insights research to inform attitudes and behaviours in relation to the risks associated with heat and cold; the outputs of this are being used to support the development of tailored public messages to improve the effectiveness of the early warning systems for hot and cold weather

## Governance

The commitment to UKHSA's sustainability aspirations, obligations and legal requirements are laid out in the UKHSA's Sustainable Development Management plan. This enables the organisation to demonstrate true leadership and highlights the ambition to be an exemplar organisation with regards sustainability in the health sector.

Sustainable Development has implications for all aspects of UKHSA's business. The organisation's various senior management teams therefore have a responsibility to implement the requirements of the Sustainable Development Management Plan through local business plans. Doing so will enable UKHSA to measure performance, help achieve

a better understanding of our impact on the environment and to prioritise medium and longer-term activities.

It will also help to refine and target advice to others on matters such as climate change and the UN's Sustainable Development Goals and to strengthen the ways in which the organisation works across the healthcare spectrum.

## Sustainable Development Goals

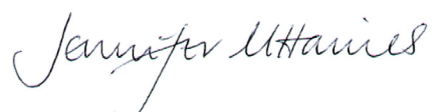
SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity ratified by the United Nations. UKHSA contributes to progress against many of the Targets across a range of Goals including health and wellbeing, climate change, inequality, innovation and sustainable consumption.

UKHSA aims to:

- use the SDGs as a tool to drive and co-ordinate our health in all policies across government
- emphasise the importance of wider determinants of health to DHSC
- encourage the responsibility of SDGs to transfer to Cabinet Office



- move the organisation forward in delivering progress against health-related targets
- engage with local government and encourage consideration of implementing interventions in line with the SDGs using a place-based approach
- work with ONS to support a comparable approach to measurement to be able to use the data as an instrument for advocacy



Dame Jenny Harries

Accounting Officer

23 January 2023

## 2. Accountability report

The purpose of the Accountability report is to meet key accountability requirements to Parliament. It is comprised of four key sections:

- statement of Accounting Officer's responsibilities
- governance statement
- remuneration and staff report
- parliamentary accountability and audit report

### **Statement of Accounting Officer's responsibilities**

Under the Accounts Direction given by HM Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000, UKHSA is required to prepare accounts in the form and on the basis set out in the Accounts Direction. The accounts were prepared on an accruals basis and must give a true and fair view of the state of affairs of UKHSA and of its net expenditure, application of resources, changes in taxpayers' equity and the cash flow statement for the financial year.

In preparing the accounts, as the Accounting Officer I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction given by HM Treasury, including the relevant accounting and disclosure requirements
- apply suitable 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 financial statements
- prepare the financial statements on a going concern basis

The Accounting Officer for Department of Health and Social Care (DHSC) has appointed me as the Accounting Officer for UKHSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UKHSA's assets, are set out in *Managing Public Money* published by HM Treasury.

I can confirm that, as far as I was aware, there was no relevant audit information of which UKHSA's auditors were unaware, and I have taken all the steps that I ought to have taken to make myself

aware of any relevant audit information and to establish that UKHSA's auditors were aware of that information.

I can confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## **Governance statement**

UKHSA's arrangements have been designed to comply with requirements for specific sectors and jurisdictions governed by the relevant authorities. UKHSA's overarching governance arrangements have been designed with reference to the good practice set out in the government's Corporate Governance in Central Government Departments: Code of Good Practice, modified as appropriate for its circumstances. As detailed later in this Governance Statement, as some governance arrangements were not in place from the outset, UKHSA did not fully comply with the principles outlined in the Code during 2021/22, but has sought to implement best practice at the earliest opportunity. UKHSA aligns its risk management processes to the 'Orange Book'.

UKHSA's governance structures were developed and implemented in accordance with the requirements of a Framework Document with the DHSC and annual remit letter from Ministers, which, taken together, set out its duties and functions.

### **NAO Value for Money (VFM) reports**

During 2021/22 UKHSA teams contributed to the following NAO value for money reports and ensured that any learning and recommendations are followed up and embedded across the organisation.

#### **COVID-19 vaccine programme**

This report evaluates the government's COVID-19 vaccine programme focusing on events up to the end of October 2021.

#### **Test and trace in England – progress update**

This is the second NAO report on the government's approach to test and trace services in England.

#### **Managing cross-border travel during the COVID-19 pandemic**

This report considers the effectiveness of the UK government's cross-border travel measures during the COVID-19 pandemic.

## Governance

The UKHSA is an Executive Agency of the Department of Health and Social Care. The framework document published on 27 January 2022 sets out, amongst other things: the broad governance framework within which UKHSA and DHSC operate; UKHSA's core responsibilities; the governance and accountability framework between the roles of DHSC and UKHSA (including the role of the Chief Medical Officer); and the relationship with other parties such as the NHS, other arm's length bodies (ALBs), local government and the devolved administrations. Our purpose, role and priorities are set out fully on page 19 of these annual report and accounts.

## Accountability summary

In March 2021, I was selected by the then Prime Minister as Chief Executive of UKHSA following a recruitment process chaired by the Civil Service Commissioner. This process was governed by the Civil Service commission's recruitment principles and in line with Permanent Secretary-level appointments across the Civil Service. I took up post on 1 April 2021 and established a transition team who covered the design of UKHSA, people transition, policy development and infrastructure

arrangements in advance of UKHSA's full establishment on 1 October 2021.

As Chief Executive and Accounting Officer, I am responsible for safeguarding the public funds for which I have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of UKHSA. In addition, I am required to ensure that UKHSA is run on the basis of the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of Managing Public Money. These responsibilities include those outlined below and those that are set out in the accounting officer appointment letter issued to me by the principal accounting officer of the department.

My responsibilities for accounting to Parliament and the public include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any guidance and directions issued by the Secretary of State
- preparing and signing a governance statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual reports and accounts

- ensuring that effective procedures for handling complaints about UKHSA in accordance with parliamentary and health service ombudsman's principles of good complaint handling are established and made widely known within UKHSA and published on its website
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the department, HM Treasury and the Cabinet Office
- ensuring that as part of the above compliance I am familiar with and act in accordance with
  - the framework document
  - any delegation letters
  - any elements of any settlement letter issued to the department that is relevant to the operation of UKHSA
  - any separate settlement letter that is issued to UKHSA from the department
  - ensuring they have appropriate internal mechanisms for the monitoring, governance and external reporting regarding compliance with any conditions arising from the above documents



- giving evidence, normally with the PAO, when summoned before the public accounts committee on UKHSA's stewardship of public funds

My particular responsibilities to DHSC include:

- establishing, in agreement with the department, UKHSA's strategic and business plans in light of the department's wider strategic aims and agreed priorities
- informing the department of progress in helping to achieve the department's policy objectives in so far as they relate to UKHSA functions and duties, and in demonstrating how resources are being used to achieve those objectives
- ensuring that timely and sufficiently detailed forecasts and monitoring information on performance and finance are provided to the department on a periodic basis; that the department is notified promptly if overspends or underspends are likely, and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the department in a timely fashion

The Chair of the UKHSA board and all non-executive members are appointed by the Secretary of State for Health and Social Care. The Chair is responsible for leading the board in the delivery of its responsibilities and additionally:

- ensuring that UKHSA's affairs are conducted with probity, including by monitoring and engaging with appropriate governance arrangements
- ensuring that policies and actions support the responsible minister's wider strategic policies and that, where appropriate, these policies and actions shall be clearly communicated and disseminated throughout UKHSA

The Chair has the following leadership responsibilities in support of the Chief Executive who holds formal responsibility for UKHSA:

- developing and maintaining a diverse and high-performing non-executive board team, helping to foster collaborative relationships at all levels within UKHSA, with the department, across government and devolved administrations, and with other key stakeholders

- establishing sound governance for the agency including through ensuring effective non-executive leadership of UKHSA's ARC and establishing and maintaining other committees and sub-committees as needed
- supporting and informing the evolution of UKHSA's organisational and strategic design and development, including through assisting the Chief Executive to develop a leadership model to recruit, build and retain UKHSA's top talent
- formulating the board's strategies and ensuring that the board, in reaching decisions, takes proper account of guidance provided by the responsible minister or the department
- supporting the Chief Executive's accountability relationship with the department, and providing advice, support and challenge to UKHSA executive team in delivering the priorities set out in UKHSA's annual business plan
- supporting the Chief Executive in promoting the efficient and effective use of staff and other resources, and ensuring that the appropriate organisational culture, values, behaviours and capability are in place to enable UKHSA to fulfil its function and deliver its mission

- delivering high standards of regularity and propriety, including that UKHSA adheres to good financial principle as set out in HMT's Managing Public Money and the Cabinet Office's Partnerships between departments and Arm's Length Bodies: Code of Good Practice

The DHSC senior departmental sponsor is responsible for agreeing the objectives for and reviewing the contribution of the UKHSA Chair. The Chair has their own section in the annual report in which they have set out their independent view on the working of UKHSA.

### UKHSA Advisory Board

The then Secretary of State for Health and Social Care appointed Ian Peters as Chair of UKHSA on 19 March 2021, his two-year term starting on 1 April 2021.

One of the Chair's first roles was to advise Ministers on the composition of the UKHSA Board and its committee structure. From the beginning of UKHSA onwards, the Chair advised me, as Chief Executive, and my senior leadership team on the establishment of UKHSA, and the ongoing performance of NHS Test and Trace, for which UKHSA became responsible from 1 April 2021 until the point that their functions transferred to

UKHSA on 1 October 2021 together with those of PHE. The existing leadership teams of PHE and NHS Test and Trace formed part of the new UKHSA leadership structure. The Chair has worked closely with me and my leadership team, several of whom have been interim, to achieve agreed objectives and acted as an ambassador and where required, as a public face of the organisation in partnership with me. The Chair has represented the organisation with key stakeholders, including DHSC Ministers, senior DHSC officials such as the Second Permanent Secretary, other members of the health and social care family and other user groups. Through regular meetings with me, which were on at least a weekly basis, as well as with key members of my team, he has provided strategic oversight and scrutiny of organisational performance.

The enduring focus during the period covered by the annual report and accounts was on the operational response to COVID-19, in particular, the Omicron variant, as well as negotiating over budgetary settlement, which was not secured until March 2022. As such, recruitment and appointment of non-executive members of the Board was concluded significant later than had first been envisaged. As a result, in its first months of full operation in 2021/22, UKHSA's governance arrangements were incomplete. As

non-executive directors play an important role in the governance of organisations UKHSA was mindful that the appointment delay created a risk of reduced independent oversight of management and board effectiveness. In April 2022, five non-executive members of the Board were appointed by DHSC Ministers together with three associate non-executive members appointed by the Chair further to the relevant provision set out in the framework document. The first informal meeting of the Board was held in June and subsequently the first formal meetings have been held in September and November. The role of the Board and its Audit and Risk Committee (which met first in July 2022 but was not fully operational until non-executive members were appointed) is set out in the framework document with DHSC. Consistent with these, terms of reference for the Board and its Committees have been agreed, which are available on gov.uk together with the papers for the first two Board meetings. As part of their induction, non-executive members have been provided with a range of information on UKHSA and opportunities to meet members of the Executive Committee and visit key facilities. The Chair, the Board and its Committees are supported by a small team based in the Finance, Commercial and Corporate Services Group, who also provide support to the Audit and

Risk Committee of the Board and the Executive Committee that I chair.

## Register of interests

UKHSA maintains a register of interests for Board and ExCo members to ensure potential conflicts of interest can be identified and, where appropriate, managed in a transparent fashion. This is published on GOV.uk. Similarly, a process is in place across the organisation to manage the same for staff employed by UKHSA.

## Audit and Risk Committee (ARC)

The appointment of non-executive members of the Advisory Board, from whom membership of the ARC is drawn, concluded in April 2022. The ARC has since been established and to date has met in (July, October and November) 2022. The recruitment of a permanent Audit and Risk Committee Chair is well underway. Shortlisted candidates were interviewed in October 2022 and the appointment is awaiting Ministerial approval. The ARC has covered the following items to date:

- the scrutiny of the refreshed Strategic Risk Register
- an overview of governance arrangements across UKHSA, including incident reporting

- standard updates on organisational progress against Internal Audit Actions
- finance updates, including a review of the refreshed Standing Financial Instructions
- scrutiny on the development of the UKHSA Annual Report and Accounts 2021/22
- update on the Serious Untoward Incident following Immensa
- UKSHA's technology infrastructure and resilience
- UKHSA staffing and ramp down programme
- UKHSA's Counter Fraud Strategy
- development of UKHSA's commercial arrangements and governance
- transition of the Vaccine Taskforce to UKHSA (from 1 October 2022)
- reports from the Government Internal Audit Agency
- reports from the National Audit Office

Audit and Risk Committees provide a wide ranging and important oversight role in areas including the quality of financial reporting, systems of internal control, governance, and risk management arrangements of an organisation. UKHSA sought to mitigate the risks associated with the delays to the formation of the ARC as follows. Prior to its formation, and by agreement with DHSC, updates



on any significant issues that would otherwise have been reported to the UKHSA ARC were provided to the ARC of DHSC primarily by correspondence. Additionally, I attended the December 2021 meeting of DHSC's ARC together with the UKHSA Director-General Finance and Commercial as part of the interim arrangement in place prior to establishment of the UKHSA ARC.

## Executive governance

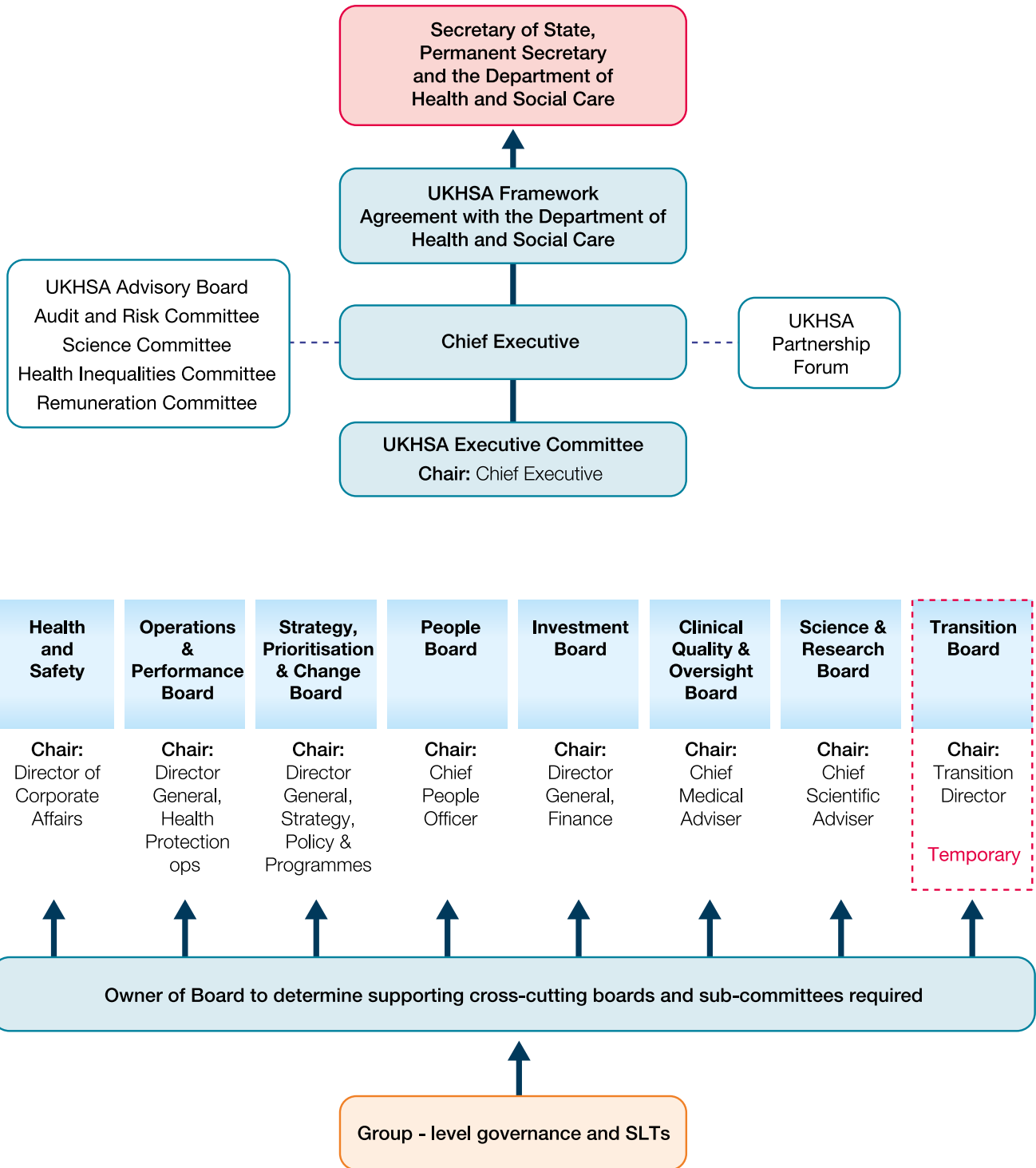
As Chief Executive, I am responsible for the leadership and management of UKHSA, delivery of its objectives, putting in place appropriate governance arrangements and regularly reviewing them. The high-level governance arrangements that were in place in UKHSA in 2021/22 are shown in the diagram overleaf:

I established the UKHSA Executive Committee (ExCo) in shadow form on 13 August 2021 to assist in the final stages of transition of relevant responsibilities and activities to UKHSA on 1 October 2021. This helped ensure the smooth transfer and ongoing effectiveness of the national response to COVID-19 at a critical time. The ExCo, which I chair, has met formally each week since its full establishment on 1 October 2021 with daily stand-up meetings on other days of the week to ensure visibility on key strategic and operational

issues, first and foremost relating to the COVID-19 response. Membership of ExCo during the reporting period is set out in the attendance table later in this statement and in detail in the remuneration report elsewhere in these annual report and accounts. The daily ExCo stand-up meetings during the reporting period were chaired by ExCo members on a weekly rotational basis.

ExCo is the primary mechanism for supporting me as Chief Executive as Accounting Officer and the focus of UKHSA's governance. Amongst its responsibilities is the approval and monitoring of UKHSA's revenue and capital budgets, agreement of priorities and the design and structure of the organisation.

Key governance groups, for example on Health Equity and People routinely report to the Executive Committee.



## Executive Committee attendance 1 October 2021 to 31 March 2022

<b>Executive Committee</b>	
Dame Jenny Harries	21/25
Rachael Allsop	15/22
Shona Arora	20/25
Lee Bailey	23/25
Paul Cain	13/15
Sarah Collins	12/13
Jac Gardner	2/2
Mark Hewlett	18/21
Susan Hopkins	23/25
Faran Johnson	5/5
Sidonie Kingsmill	21/25
Scott McPherson	23/25
Oliver Munn	3/3
Isabel Oliver	22/25
Steven Riley	23/25
Jacqui Rock	9/12
Andrew Sanderson	21/22
Donald Shepherd	3/3
Alex Sienkiewicz	22/24
Adam Wheelwright	23/24
Hamza Yusuf	5/5

## Governance Groups

The following Governance Groups were established and reported to ExCo in 2021/22.

## Science and Research

Considers all matters relating to UKHSA science and research, ensuring UKHSA scientific and research functions are of consistent high quality and operate to agreed standards and processes providing direction, challenge and approval when required.

## Clinical Quality & Oversight

Oversees the clinical governance activity being delivered within UKHSA and provide assurance that the mechanisms, activity, and planning are acceptable and provide assurance on compliance with regulatory standards relating to clinical quality, patient safety, safeguarding and public sector duty of equality.

## Strategy and Change

Oversees the development of UKHSA's strategy and business plans and to provide oversight and scrutiny of UKHSA's change portfolio, including the prioritisation of the programmes and projects against the strategy, and their subsequent performance management through the delivery lifecycle with a focus on value for money.

## Operations and Performance Board

Oversees the end-to-end operational performance of UKHSA and assure the delivery of all business as usual and emergency response activity. The Board will oversee and assure that UKHSA is efficient and effective in delivering the organisational objectives and outcomes, and will ensure that BAU and emergency response resources are appropriately directed, and the financial performance of UKHSA is monitored.

## Investment Boards

Scrutinises business cases to ensure they represent VfM and are aligned to relevant government policy on all spend. Boards include:

- Investment Board: SCS3 chaired board to review all high value spend exceeding Commercial Spending Controls and Arm's Length Bodies' Financial Delegations with representation from DHSC, HMT, Cabinet Office and the Devolved Administrations
- Approvals Board: SCS2 chaired board to review mid-level spend exceeding £2m and within the UKHSA commercial and financial delegations

- UKHSA Professional Services Board: SCS2 chaired board to approve all professional services and contingent labour spend exceeding the Cabinet Office Spend Controls. These also require DHSC Commercial Assurance approval, DHSC Finance approval, DHSC Ministerial approval and either Cabinet Office disclosure or approval, depend on the threshold
- Offline Approvals: central co-ordination and senior level approval of non-contentious cases valued between £10k and £2m
- UKHSA External Income Board: SCS2 chaired board to approve income generating contracts and proposals over £500k

## People

Provides strategic decision-making and oversight in relation to people policies and practices. This includes retention and attraction of high calibre and specialist clinical staff, wellbeing, occupational health, pay policy (including reward recognition) and learning and development.

## Health and Safety

Ensures the organisation's health and safety and associated risk and compliance arrangements are suitable and sufficient, and meet UKHSA's statutory obligations and agreed strategy. This

Committee has been key in ensuring the smooth transfer of governance arrangements for our scientific work with high hazard pathogens, which by design have adopted those previously developed over many years in Public Health England.

## Planning and performance

The DHSC Senior Departmental Sponsor chaired quarterly Sponsorship Accountability Meetings (SAM) attended by the Chief Executive and other UKHSA and DHSC directors. SAM sessions fulfil the requirement set out in the UKHSA Framework Agreement and Cabinet Office guidance for Executive Agencies. The focus of the meetings are on strategic issues and any issues of delivery that the sponsor wished to bring to this meeting, including compliance with the framework agreement. Issues covered include:

- public health risk and issues
- financial performance including in-year and year-end performance against budgetary controls, based on the monthly reporting system
- governance and risk management, including a review of UKHSA's Strategic Risk Register
- the relationship between UKHSA and any other key issues identified in delivery of DHSC's strategic objectives



Other processes in place include:

- the Permanent Secretary's annual appraisal of the Chief Executive's performance, taking account of feedback from UKHSA's Advisory Board
- Select Committee hearings
- regular contact between DHSC's sponsor team and UKHSA

### System of internal control and its purpose

As Accounting Officer, the Chief Executive has responsibility for maintaining a sound system of internal control that supported the achievement of UKHSA's policies, aims and objectives. In doing so, the Chief Executive must safeguard the public funds and assets in accordance with the responsibilities assigned to her in Managing Public Money and the Accounting Officer Appointment Letter.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of UKHSA's policies, aims and objectives

- evaluate the likelihood of those risks happening and the impact should they be realised
- manage risks effectively, efficiently and economically

## Risk and control framework

The Chief Executive is accountable for the overall risk management activity in the organisation. In discharging these responsibilities. She is assisted by the following Directors:

- the Interim Chief Scientific Officer, who had delegated responsibility for managing the risks associated with the national laboratories at Chilton, Colindale, Porton Down and other infection service functions. They also had delegated responsibility for the governance of research activity carried out by UKHSA
- the Interim Chief Medical Adviser (subsequently appointed on a permanent basis on 25 May 2022) had delegated responsibility for managing UKHSA's emergency response function (including the national UKHSA response to COVID-19); clinical and quality governance, medical revalidation (supported by her Responsible Officer team) and the Caldicott Guardian function

- the Director General Data, Analytics and Surveillance, who as the organisation's senior information risk owner (SIRO), had delegated responsibility for the organisation's information governance arrangements and advising the Chief Executive of any serious control weaknesses concerning information risk and governance.
- the Interim Director General Finance, Commercial and Corporate Services, who had delegated responsibility for managing financial risk and assisted the Chief Executive in ensuring that the organisation's resources were managed efficiently, economically and effectively. They also had delegated responsibility for managing the development and implementation of strategic and corporate risk management and health and safety, in particular, that appropriate health and safety policies and procedures relevant to PHE's operation were in place together with governance and assurance systems to facilitate compliance with relevant legislation
- the Chief People Officer had delegated responsibility for managing people related risk across UKHSA
- the Communications Director had delegated responsibility for communications

- in addition to her role as the then Chief Commercial Officer, Jacqui Rock had delegated responsibility for UKHSA transition and the subsequent change programme up until the point of their departure at the end of December 2021. I subsequently took on personal responsibility for the ongoing UKHSA change programme, including a restructure of the Executive Committee at the end of March 2022.

### Capacity to handle risk

UKHSA has in place a risk management policy, procedures and guidance describing risk management roles and responsibilities, risk identification techniques, risk mitigation strategies and risk scoring. All relevant risk management documentation and tools are available to staff through the UKHSA intranet, which included an agreed approach to risk identification and management.

UKHSA aimed to minimise adverse outcomes such as harm, loss or damage to the organisation, its people or property, or those who received its services, through adequate supervision and training, appropriate delegation, continuous review of processes and the environment, and the sharing of lessons learnt and best practice.

ExCo members were responsible for determining the nature and extent of the significant risks

UKHSA was willing to take in achieving its strategic objectives. Director Generals were responsible for risk management within their areas of responsibility. This included promoting risk awareness and supporting staff in managing risk.

Electronic incident management and investigation systems were used to manage adverse incidents, with lessons-learnt reports being shared through email and UKHSA's intranet. The main system used continues to be Trackwise to ensure continuity of critical health and safety reporting in UKHSA's laboratories, which transferred from PHE. To improve the quality of adverse incident investigations and action plans, a number of managers are trained in root cause analysis.

### Capturing and responding to risk information

UKHSA had a structure in place for reporting risk at an operational (sub- directorate), tactical (Group, or major cross Group level) and strategic (UKHSA wide) level. There is a process in place to escalate and de-escalate risks as appropriate between the hierarchies.

The Corporate risk management team supports roll-out of UKHSA's approach to risk management, identifying cross-cutting operational risks through the Risk Leads Group that it co-ordinates, and, where necessary, provided support to adverse

incident management and investigation. Through the Risk Leads Group, it has reviewed group risk registers and provides feedback to improve the quality of risk information.

UKHSA has in place an adverse incident and serious untoward incident management policy and procedure to provide a formal mechanism for reporting and learning from incidents. One Serious Untoward Incident was declared in the reporting period, which related to COVID-19 testing by a private provider previously contracted by NHS Test and Trace. The SUI investigation is now complete, the findings of which we have committed to publishing.

The UKHSA Strategic Risk Register was reviewed formally by ExCo in November 2021 and March 2022 and was a standing item at the quarterly accountability meeting with DHSC. This primarily contained risks accepted by UKHSA from PHE on the transfer of relevant functions on 1 October 2021, which were then updated with UKHSA ExCo risk owners and their teams. The SRR has since undergone a fundamental top-down review process through a facilitated workshop with ExCo in July and review at two concurrent ExCo meetings in September.

## Health and safety

The UKHSA Health and Safety Policy Statement, signed by the Chief Executive, commits to protecting UKHSA's staff and others from harm and to reduce the risk to their health, safety and wellbeing as far as reasonably practicable. UKHSA undertakes a wide range of activities in its scientific work with a variety of different risks. A number of specific policies are in place to specify the standard to be achieved in the management of these different risks.

UKHSA's strategic health and safety aim is to strive for excellent health and safety standards, and these arrangements are overseen by the Health and Safety Committee, chaired by the Director of Corporate Affairs. In partnership with staff side members, the Health and Safety Committee has focused on ensuring appropriate follow-up of actions from UKHSA's internal proactive performance monitoring and any recommendations made by the Health and Safety Executive (HSE) as part of its planned intervention plan. In addition, incidents with high or major actual or potential impact were reviewed and acted on, with lessons identified and disseminated across the organisation in a timely way.

UKHSA had in place a range of health and safety standards, with processes to ensure suitable and sufficient assessment of activities which implement

control measures to prevent and reduce risks in order to protect staff from harm and ill health. UKHSA's health and safety policies are supported by staff health and safety handbooks and guidance documents. These cover a number of specific areas of risks and are complemented by specific information, guidance, training and competency assessment.

The first annual meeting with the HSE to review health and safety performance through their planned and reactive inspections during 2021/22 was held in May 2022, which I attended together with the Interim Chief Scientific Officer, Interim Director General Finance, Commercial and Corporate Services, Director of Corporate Services and senior operational scientific staff. The HSE highlighted the following UKHSA strengths:

- commitment to Health and Safety and Biocontainment
- maintenance of safety performance during a rapidly changing and challenging landscape
- the positive outlook with regards to Health and Safety both in terms of engagement and relationship with the HSE as regulator
- transparent approach and attitude during HSE interventions
- detailed internal UKHSA investigations in response to incidents



We also discussed the following challenges and areas for continuous improvement:

- continuing with our pro-active outlook with regards to health and safety to further drive performance
- increased number of RIDDOR incidents in the reporting year, particularly in regional laboratories
- conclusion of the transition from PHE to UKHSA and associated health and safety-related management structure changes
- management of multiple workstreams, priorities and projects
- Science Hub programme – strategic decisions/ focus of priorities
- oversight of maintenance and associated contractor activities
- implementation of internal recommendations/ investigation outputs and HSE enforcement actions

### Financial governance framework

UKHSA had in place a financial governance framework, with policies and procedures to ensure compliance with the requirements of Managing Public Money, International Accounting Standards, EU Procurement Legislation, government spending controls and internal approval levels. During the

pandemic, controls were adjusted to reflect the operating conditions, reflecting the need to buy from limited markets or at short notice. UKHSA used these adjusted arrangements on a number of occasions. As part of general UKHSA operation, where controls on good procurement practice had not always been met, remedial action was taken to regularise arrangements where possible and prevent recurrences.

### Preventing fraud, corruption, bribery and theft

UKHSA introduced robust measures to combat fraud, bribery, corruption and theft – the key focus being on prevention, but also ensuring that issues arising are dealt with effectively.

Actions taken have included:

- the introduction of a full suite of policy and procedure documents
- the introduction of mandatory training on fraud, corruption, bribery and theft

### Assurance

Assurance is defined in the HM Treasury guidance for assurance frameworks as: “... an objective examination of evidence for the purpose of providing an independent assessment

on governance, risk management, and control processes for the organization.”

UKHSA adopted the ‘Three Lines of Defence’ model for assurance, to ensure a range of activities at all levels that could provide reassurance and evidence of good practice as well as an assessment of delivery confidence. This model was in the early stage of implementation during the reporting year.

### ‘First Line of Defence’

Activities, internal controls, standards and practices at operational level. Within the ‘front-line’ or business operational areas, there will be many arrangements established that can be used to derive assurance on how well objectives are being met and risks managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information. This comes direct from those responsible for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those

who know the business, culture and day-to-day challenges.

### ‘Second Line of Defence’

Oversight and independent assessment of management activity. It is separate from those responsible for delivery, but not independent of the organisation’s management chain. This could typically include compliance assessments or reviews carried out to determine that policy or quality arrangements are being met in line with expectations for specific areas of risk across the organisation; for example, purchase to pay systems, health and safety, information assurance, security and the delivery of key strategic objectives. Second line assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

### ‘Third Line of Defence’

This relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide the Accounting Officer with an independent and objective opinion on the framework of governance, risk management

and control. UKHSA's Internal Audit function was provided by the Government Internal Audit Agency (GIAA). Internal audit placed reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements. It also took assurance from other independent assurance providers operating in the third line, such as those provided by independent regulators, for example. Other sources of independent assurance were available, typically sitting outside of the internal assurance framework and the Three Lines of Defence model. These may include Infrastructure & Projects Authority (IPA) reviews, external system accreditation reviews certification (e.g. ISO/Risk Management Accreditation Document Sets), and Treasury/Cabinet Office/Parliamentary scrutiny processes. External auditors, chiefly the NAO, have a statutory responsibility for certification audit of the financial statements.

### **Internal Audit arrangements**

As part of the Government Internal Audit Agency (GIAA), the Head of Internal Audit's team is fully independent and remains free from interference in determining the scope of internal audits, in performing its work throughout the year, and in communicating results to management and the

PHE Audit and Risk Committee (ARC). The Head of Internal Audit (HOIA) has direct access to the Accounting Officer and meets regularly with her senior team.

The HOIA has provided the Chief Executive and Accounting Officer with an overall Limited opinion on the framework of governance, risk management and internal control within the United Kingdom Health Security Agency (UKHSA) for the 2021/22 financial year. The definition of a Limited opinion is that 'There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.

Specifically, this opinion relates to the first six months of UKHSA's operations when the organisation was in the process of establishing its governance, and setting up its systems and processes, alongside responding to a new variant of SARS-CoV-2, the virus that causes COVID-19.

The outcomes of internal audit work that have fed into the assurance opinion include the following (wording taken from the GIAA annual report) :

- delays in being able to appoint non-executive directors (with the exception of the Chair) meant that there was no advisory Board or Audit & Risk Committee (ARC) during the period. Non-executive directors provide a source of challenge to management and are particularly crucial in helping shape a new organisation. The Code of Good Practice for Corporate Governance sees such boards/committees as a key element of good governance. UKHSA's situation i.e., being unable to appoint Non-Executives in year due to funding uncertainty therefore brought with it greater risk exposure. Some mitigation was in place i.e., the support of the Department seen in play through day-to-day Secretary of State meetings and at quarterly Sponsorship and Accountability Meetings, but arrangements were not formalised or comprehensive. We appreciate that the position has moved on in 2022-23 with inaugural meetings of the Board and Audit Committee being held in July 2022. This is a significant step forward. We will assess the impact this has had on governance and the effectiveness of arrangements during our planned follow up audit

- the senior leadership team ExCo and its sub committees were in the early stages of their formation and there had not yet been an exercise to design and implement an assurance framework to ensure that the Accounting Officer is receiving appropriate assurances on matters required for her to demonstrate she is fulfilling all her Accounting Officer responsibilities
- whilst a strategic risk register and supporting policy, procedures and guidance were available for staff from the outset, risk management was not embedded across the organisation during the period. Not all Groups had identified their risks and there was a lack of consistency in how they were being recorded. In addition several key posts within the Risk team were unfilled during the period. Without effective risk management arrangements across the organisation, risks may not be being appropriately identified and managed, and may then become issues that need to be managed more urgently and with greater consequences. We understand that progress is being made to fill these, and more recently a top-down review of the strategic risk register has been undertaken by ExCo, and further enhancements to the strategic risk register have been identified



- internal controls were not found to be operating effectively across the areas we audited with some procedural documentation and guidance still in development during the period and some information unable to be retrieved by the organisation from its systems during our audits. This was further compounded by a lack of robust second line assurance arrangements in place meaning the organisation isn't receiving routine assurances over the effectiveness of its systems and processes. There is a risk that without effective first line (internal controls) and second line assurances, systems are not working as intended potentially leading to losses, reputational damage, data breaches or other internal control failures
- UKHSA was set up in an incredibly short timescale, bringing together the former Public Health England (PHE), NHS Test and Trace (T&T) and the Joint Biosecurity Centre (JBC). Alongside preparing for the new organisation, many staff from each of these 'sender' organisations were closely involved in the national response to the COVID-19 pandemic and particularly the emergence of the Omicron variant in the first quarter of the organisation's operations

- this, together with the lack of certainty over UKHSA's funding and high turnover of staff both during and post-transition has meant that UKHSA has not made the anticipated progress in establishing its systems of governance, risk management and internal controls. It is not therefore unexpected that UKHSA would not have had mature systems of governance, risk management and internal controls during this period, and an assurance opinion of Limited should not detract from the significant amount of work taking place across the organisation in challenging circumstances

- in September 2022, the GIAA presented their final high level report on “Key Financial Controls (Governance and Budget Management)” and provided an overall rating of “substantial”, reflecting that the gaps in the UKHSA corporate governance arrangements in 21/22 had already been highlighted in the Corporate Governance internal audit report and that the finance team did as much as could be expected to mitigate the risks arising from the period of uncertainty when UKHSA was formed. It should be noted that as stated in the HOIA’s annual internal audit report and opinion; “The Key Financial Controls audit with a Substantial assurance opinion reflected a scope that was limited to the key policy and procedure documentation expected to be in place during the first six months of operation. This assurance opinion does not cover the system of key financial controls that would be covered in an audit undertaken at a mature organisation

The full list of GIAA reports in 2021/22 were as follows;

- |                          |             |
|--------------------------|-------------|
| •Key Financial Controls  | Substantial |
| •Conflict of Interest    | Limited     |
| •Risk Management         | Limited     |
| •Information Governance  | Limited     |
| •Public Access (Fol/EIR) | Limited     |
| •Procurement             | Limited     |

- Contract Management Limited
- Corporate Governance Unsatisfactory

## Corporate Governance Audit

As part of the plan for 2021/22, the Government Internal Audit Agency undertook an audit between January and March 2022 to provide assurance over the adequacy and effectiveness of UKHSA's governance framework, decision making processes and accountability arrangements in the first six months of its operation.

In their report, GIAA recognised that UKHSA was in its very early stages of operation, and had been functioning under exceptional circumstances.

Understandably its primary focus, as agreed with DHSC, had been responding to the global pandemic, particularly the Omicron variant. This was set against a backdrop of vacancies with the majority of the senior management team (ExCo) in post on an interim basis and/or new to their roles and operating at this level in an organisation. There had also been uncertainty over funding and consequently the organisation's remit.

GIAA concluded that this impacted on progress made in establishing the firm foundations of the organisation's governance framework.

For example, and as noted elsewhere in this governance statement, UKHSA had been without

the support of an advisory board and associated sub-committees (including an Audit and Risk Committee). GIAA observed that non-executive directors provided a source of challenge to management and are particularly crucial in helping shape a new organisation. The Code of Good Practice for Corporate Governance sees such boards/committees as a key element of good governance. GIAA found that UKHSA's situation i.e., being unable to appoint Non-Executives in year due to funding uncertainty therefore brought with it greater risk exposure. They found that some mitigation was in place i.e., the support of DHSC through day-to-day Secretary of State meetings and at quarterly Sponsorship and Accountability Meetings, but arrangements were not formalised or comprehensive. GIAA appreciated that the position moved on in 2022-23 with inaugural meetings of the Board and Audit Committee being held in June July 2022 respectively and that this was a significant step forward. As part of their audit plan for 2022/23, GIAA are assessing the impact this has had on governance and the effectiveness of arrangements.

GIAA considered that the Chief Executive had been conscious of putting in place the most effective governance at executive level and had commissioned several reviews to determine the proposed executive committee structures. At

the time of the conclusion of their audit, this was starting to come together but, at that point, there was inconsistency of approach and they noted a number of vulnerabilities that should be addressed during the next phase of UKHSA's development. This would make UKHSA compliant with governance requirements per government practice.

In summary, GIAA found that:

- ExCo would benefit from a forward plan for to ensure that its business is focused on key priorities as set out in the framework document and remit letter (focus has been short term in the main and not structured in terms to topics on the agenda). Exco needed to know what is being achieved, to what standards and with what effect. More rigorous planning of ExCo / Committee coverage would make for timely assurance and better decision making
- ExCo members were clear about their individual roles when asked but further work was needed to ensure that there is appropriate coverage of all necessary areas of responsibility. Clarity was needed over senior management's collective responsibilities for corporate decision making

- ExCo and especially the Accounting Officer needed to ensure that they had appropriate assurance mechanisms and reporting in place on the effectiveness of controls and governance arrangements from the first and second lines of defence. AO responsibilities should be mapped, and sources of assurance identified
- during the period that was reviewed, various changes had been made to committee's names and remits. A 'steady state' position would be beneficial in order to properly reflect on the effectiveness of desired arrangements
- information provided to Exco needed to be timely and be sufficiently detailed to support effective decision making. ExCo should define its reporting requirements from its sub- committees
- greater clarity was needed over the process regarding communication and cascade of decisions made at Exco and its sub committees
- greater clarity was needed regarding how the governance framework fits together and how/ if ExCo and the Board are updated by respective committees
- practices and processes for monitoring actions agreed and recording decisions made could be improved

GIAA found that, overall, there was still work to do to establish and embed the organisation's corporate governance framework, decision making process and accountability arrangements so that they are operating effectively and in compliance with the Code, Managing Public Money and the Framework document.

An action plan was prepared in response to the recommendations for implementation by the end of the 2022/23 financial year. GIAA are currently undertaking an interim audit to review progress on the actions set out above, with a further audit to take place at the end of the 2022/23 financial year to provide assurance on progress and completion. This will be reported on in the governance statement in the 2022/23 annual report and accounts.

### Key control challenges

Financial Control and Governance Issues and resultant Disclaimer Audit Opinion



- as detailed in the Certificate and Report of the Comptroller and Auditor General (C&AG) of the House of Commons, the C&AG has chosen to disclaim his opinion on UKHSA's 2021-22 financial statements, with the disclaimer opinion relating to both the true and fair and regularity opinions. Due to the significance of the matters that have led to the disclaimed audit opinions, the C&AG has also been unable to form an opinion on the parts of the Accountability Report subject to audit including the part of the Remuneration Report and Staff Report to be audited. In this section of the Governance Statement, we discuss the concerns that have resulted in the disclaimer audit opinions, the factors, unprecedented in combination, that have contributed to these issues and the work underway to address them. Whilst this context provides insight into how the issues have arisen it does not detract from their seriousness, and we are doing all we can to improve the position going forward

- the disclaimer audit opinions reflect concerns about the financial controls and high-level governance arrangements (particularly the lack of non-executives and an audit committee) within UKHSA in 2021/22. As highlighted above, the enduring focus of the first six months of UKHSA's operation was on the operational response to the COVID-19 pandemic, particularly in the period December 2021 through to March 2022. The budgetary position for the 2022/23 financial year was resolved at the beginning of April 2022 and, as such, progress in making appointments to the Advisory Board was able to be made. This has allowed the establishment of both the Board and Audit and Risk Committee, both of which have enabled us to strengthen our governance and respond positively to the issues highlighted by both the C&AG and GIAA in their Head of Internal Audit Opinion. The Chair and I recognise the importance of fully implementing and developing our governance arrangements and expect to be able to report significant progress in the 2022/23 statement
- in addition, there were several factors that meant producing UKHSA's 2021-22 Annual Report and Accounts and evidencing those accounts were free from material misstatement was challenging

- UKHSA inherited pre-existing assurance gaps relating to NHS Test and Trace inventory and Public Health England stockpile goods from predecessor organisations. These having broadly arisen due to impact of the scale and pace of the pandemic response on those organisations, and the resultant challenges relating to operational inventory management and control. The resultant financial statement impacts meant some form of UKHSA accounts qualification was both expected and unavoidable
- at the point of transfer to UKHSA, 1 October 2021, concerns over COVID transmission and disrupting global supply of life saving products at a critical and time sensitive point meant additional counts of test and trace inventory and stockpile goods (over and above the standard counts routinely performed at other points) were not feasible. The safety of our employees, suppliers and the public at large is paramount in this regard
- a complex organisational merger of NHS Test and Trace, the Joint Biosecurity Centre, and the health protection functions from PHE meant that common financial governance and controls had to be established at pace, mid-way through the financial year

- transferring NHS Test and Trace from DHSC into UKHSA (a significantly smaller organisation in terms of the value of the transactions and balances in its financial statements) inherently meant it would be subject to greater audit scrutiny and held to much higher standards of accuracy due the materiality threshold for audit being vastly diminished
- the creation of UKHSA was accompanied by the implementation of a new finance system in October 2021. Whilst adopting the new system was strategically the right approach, the timing was risky given wider organisational change, and certain system issues hindered the accounts preparation and audit processes
- there was considerable workforce churn both in finance and the wider agency during the period, with around half of the finance function on temporary contracts or loans. As such, whilst the finance function as benefited from high levels of expertise and professionalism, the churn as created instability and loss of continuity

- the significant reliance on temporary workers including complex cross government secondment and loan arrangements has also hindered the preparation of the Remuneration Report. As a result, through no fault of the individuals concerned, in the time available we have been unable to access the information necessary to prepare and fully support a small number of required disclosures. Where this is the case, this is clearly disclosed in the Remuneration Report, with the report having been produced to the fullest and most transparent extent possible
- significant uncertainty about UKHSA's future size and funding, which was not agreed until the end of the financial year (and then only for one year), made it difficult to stabilise the organisation including challenges hiring permanent staff, including senior staff, given the lack of security of tenure
- the UKHSA finance team had to produce PHE's 2020/21 and closure accounts alongside producing the first UKHSA account, the latter requiring entirely new processes and the inherited intricacies of opening balance transfers and COVID accounting

- there were competing organisation-wide demands of responding to the pandemic; particularly the surge response to the Omicron wave from December 2021; and
- it was decided in February 2022 that UKHSA's test and trace funding should be reduced by £12bn from April 2022; one of the largest spending cuts ever asked of a public service organisation. As a result, over the critical weeks before and after the financial year-end, when the whole finance team would normally prioritise producing accurate accounts, the overriding priority was to ramp down spending and contracts.
- these factors contributed to a set of problems with financial control and the accuracy of the accounts. For example, the problems with UKHSA's new finance system included reporting and reconciliation issues and a lack of user familiarity with the system has also presented challenges. The system operates self-service receipting and requisitioning, which whilst in line with acknowledged cross-government best practice, presents control challenges in a new and evolving organisation with significant workforce churn

- as confirmed by GIAA in their review of Key Financial Controls in 2021/22, which focused on the financial governance and management framework and budgetary control arrangements, UKHSA had appropriate policies and financial management and governance frameworks in operation during the period. We recognise however, there were some issues with compliance and the operation of controls. As mentioned above, this can largely be attributed to a combination of the unprecedented level of workforce churn, the scale of new and novel challenges, and competing priorities at the time

- UKHSA Finance have identified that certain basic financial controls/disciplines slipped as a result including certain balance sheet reconciliations (see 'Bank Reconciliations' section below), saving transactional evidence centrally for ease of access and routine cleansing of purchase orders and goods received not invoices (GRNI). Rectifying and/or addressing the consequences of these issues, including undertaking significant year-end review and testing to ensure the accuracy of ledger data, significantly slowed down the 2021/22 year-end close and accounts preparation processes, limiting the time and therefore opportunity to gather and present appropriate accounting records. While many of these problems did not result in financial statement errors, some did. At the point of publication of these accounts we have been unable to conclude whether these issues have resulted in material misstatement of the financial statements as UKHSA finance was unable to provide sufficient appropriate accounting records to demonstrate the transactions and balances reported in those statements are materially correct



- we are committed to improving our financial controls and high-level government arrangements as quickly as possible; indeed many improvements have already been implemented as an integral part of our improvement agenda and the preparation of the 2021/22 accounts. We recognise the journey to improving the identified control weaknesses will be challenging, not least because not all issues can be fully addressed retrospectively and as 2022/23 brings with it new challenges such as IFRS 16 implementation and the transfer in of the COVID Vaccine Unit

- we are nevertheless fully committed to accelerating the pace of change and the 2021/22 accounts preparation process has assisted in identifying areas of control weakness requiring attention. We have drawn up an action plan to address the issues that have resulted in the disclaimer. The plan aims to look systematically across a wide variety of areas including systems, business process, central finance processes, HR and payroll processes including workforce, accounts preparation processes and ways of working. It covers both areas where there are known problems to fix and areas where there may not be issues but it is important that we have further assurance. Whilst the outcome of the control issues impact the preparation and audit of the Annual Report and Accounts, the action plan recognises that addressing their underlying cause goes far beyond a central finance or accounts preparation response, with input required from across the UKHSA business with support from across corporate services. We have had initial positive feedback from HMT and DHSC, and once the UKHSA and PHE accounts are laid, a wash-up will be held to seek the NAO's views on the action plan to gain further assurance over completeness

- whilst the action plan will not guarantee all financial control issues are addressed in 2022/23, we are prioritising delivery of the plan and are confident significant improvements can, and indeed already have in some instances, be made within a relatively short timescale. The delivery of the action plan will need tight governance and monitoring and we intend to set it up as a formal programme, with an oversight board meeting regularly to assure progress, monitor risk and advise. This will include representatives from DHSC and HMT and in addition we will formally report into the Department through their existing Finance Reset Programme

### Immensa Laboratory Wolverhampton

From 2 September 2021 the Immensa Laboratory in Wolverhampton was commissioned to provide additional COVID-19 PCR testing capacity for NHS Test and Trace. UKHSA suspended testing at the laboratory on 12 October 2021 following reports of inaccurate results. The cause was the incorrect setting of the threshold levels for reporting positive and negative results of by staff at the laboratory. This means that some PCR tests were reported by the lab as negative for COVID-19 which would have been assessed as positive if the threshold had been correctly set.

Based on background infection rates in different population groups at the time, UKHSA estimated that this error could have led to around 39,000 results being incorrectly reported as negative when they should have been positive. This represents around 10% of samples tested at the laboratory between 2 September and 12 October 2021 and 0.3% of all samples tested for NHS Test and Trace during this period. In addition, UKHSA researchers have also published an analysis to estimate the impact of the Immensa lab error on transmission in the most affected areas.

UKHSA's serious incident investigation has concluded that no singular action or process implemented by NHS Test and Trace could have prevented the errors within the Immensa laboratory arising, but it has also identified a range of ways to enable earlier detection of any similar laboratory errors wherever possible.

NHS Test and Trace acted immediately to strengthen its contract and data processes when the issue first emerged and a summary of these actions has also been published alongside the serious incident investigation. These include enhanced surveillance of laboratory positivity rates so that discrepancies can be identified and investigated as soon as possible.

## Bank Reconciliations

As part of organisational set up, UKHSA implemented a new Enterprise Resource Planning (ERP) system in 2021/22. A small number of issues, including data errors and issues with the recording of migrated data, prevented UKHSA from utilising the automated bank reconciliation functionality available in the system. Instead individual bank payments were reconciled to corresponding general ledger entries retrospectively using a manual matching and investigation process.

Timely bank reconciliations are a key financial control that help organisations identify accounting errors and have confidence that the amount of cash reported in the balance sheet is correct. As such, whilst the manual bank reconciliation ultimately produced an identical result to an on system alternative, had one been available, and with cash reconciled to the penny, the delay in completing these reconciliations created a risk that financial errors or omissions would not be identified and addressed on a timely basis. This risk was mitigated in part by an increased focus throughout 2021/22 on understanding both run rate and forecasts on a cash basis in addition to an accruals basis, providing some high level assurance the UKHSA cash position was well understood throughout and in line with expectations. Nevertheless, the importance of

a timely fully reconciled transactional level bank reconciliation is acknowledged. Work is underway to continue manual reconciliation procedures into 2022/23 and to resolve issues so a more efficient on-system approach can be adopted at the earliest opportunity. As the manual bank reconciliations cover every transaction throughout the accounting period the necessary assurances are now obtained in full, with no significant issues of concern noted.

## Remuneration and staff report

This report details the policy on the appointment, appraisal and remuneration of members of the Executive Committee are for the year ended 31 March 2022

### Accountability

The accountability arrangements for the Pay Committee and People and Culture Committee of the Advisory Board are set out in the Governance Statement elsewhere in the annual report.

### Role of the Pay Committee

The terms of reference define the scope of the committee and those elements relevant to executive pay are as follows:

- the application of the performance-related process
- the approval of any premature retirement application on the grounds of ‘the interests of the efficiency of the service’
- consideration of any pay related allowances and premia
- any case which we are required to submit to DHSC or HM Treasury, and specifically for individual cases for:

- senior salary approvals on appointment above £150,000
- any redundancy package with a cost of more than £95,000
- ex gratia payments and all special severance payments (defined as any payment in excess of, or outside of statutory or contractual entitlements) including compromise agreements and compensation payments in lieu of notice
- making recommendations to the Executive Committee on any aspect of pay policy
- making recommendations to the People and Culture Committee of the Advisory Board on Senior Civil Service (SCS) and NHS Executive and Senior Manager (ESM) pay

The Committee does not deal with matters concerning its own pay; rather issues concerning its members' pay and that of staff employed on SCS and ESM terms and conditions were considered by the Chief Executive in consultation with the People and Culture Committee of the Advisory Board, whose role is set out in the Governance Statement.

### Committee membership

Up until 31 March 2022, the Pay Committee consisted of the following members:



- Donald Shepherd (Director of Finance, Chair)
- Rachael Allsop (Interim Chief People Officer)
- Richard Gleave (Director of Scientific Strategy and Development)
- Tony Holmes (Deputy Director of Finance)

### Appointment and appraisal of non-executive Advisory Board members

Non-executive Advisory Board members are appointed by the Secretary of State for Health and Social Care for a defined term. The appraisal process for the Chair was conducted by UKHSA's current senior departmental sponsor, the DHSC Director General for Global Public Health.

### Remuneration of non-executive Advisory Board members

The table below lists all non-executive members who served on the Advisory Board during the year ended 31 March 2022. The date of their appointment is accompanied by the total remuneration due to each individual during their tenure in post for the 6 months to 31 March 2022. Their terms of office are set out in the biographies

in the Governance Statement elsewhere in the annual report.

### Audited table

	<b>Date of appointment</b>	<b>Total salary, fees and allowances Year ended 31 March 2022 £'000</b>
Ian Peters <sup>1</sup>	1 April 2021	25 - 30

1 Salary paid by UKHSA from 1st November 2021. Prior to this date, salary paid by DHSC

The remuneration of the executive members of the Advisory Board is set out in the audited table on page 142.

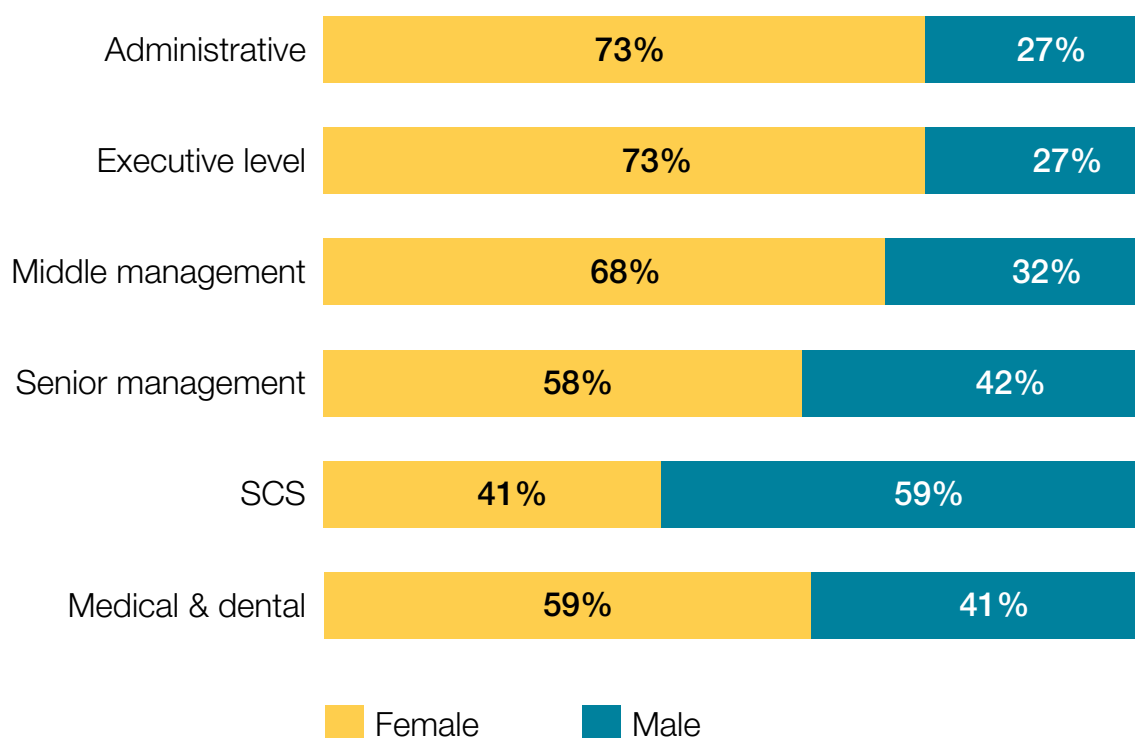
## Appointment and appraisal of Executive Committee members

We followed the provisions of the Constitutional Reform and Governance Act 2010, which requires that Civil Service appointments are made on merit on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. The members of the Executive Committee held employment contracts that were open-ended with notice periods of three months, except for the Chief Executive, who has a six-month notice period.

Early termination by UKHSA, other than for misconduct, would result in the individual receiving compensation in accordance with Civil Service or NHS terms and conditions. Compensation for loss of office would be agreed by the Pay Committee, with reference to DHSC and HM Treasury guidelines.

Performance was assessed against agreed objectives and a set of core management skills and leadership qualities. The Chief Executive's appraisal was conducted by the DHSC Permanent Secretary, taking into account feedback from the Chair of the Advisory Board.

The number of individuals by gender serving on the Executive Committee as at 31 March 2022 was ten males (67%) and five females (35%). The overall gender profile of the UKHSA workforce was 66% female and 34% male. The following table shows the profile by grade and gender:



## Remuneration of Executive Committee members, year ending 31 March 2022

The table below lists all persons who served on the Executive Committee in the year ended 31 March 2022. A summary of their employment contract is accompanied by the total remuneration during their tenure in post.

Due to the complexities of the various loan arrangements, the information required for the disclosure has not been presented to us in the time available. In all instances where the necessary information has not been obtained the relevant individuals have been made aware. UKHSA's inability to obtain this information to a timescale to

allow conclusion in this period is in no way related to the individuals not providing the information as the evidence and supported evidence is provided by third parties.

All UKHSA salaries are awarded in line with civil service guidelines.

## Audited table

	<b>Date commenced, re-appointed or extended</b>	<b>Expiry date of current contract</b>	<b>Total salary, fees and allowances Year ended 31 March 2022* Bands of £5,000</b>	<b>Bonus payments Bands of £5,000</b>	<b>Pension benefits to the nearest £1,000</b>	<b>Total remuneration Bands of £5,000</b>	<b>Annual Equivalent Salary Bands of £5,000</b>
Dr Dame Jenny Harries <sup>2</sup> ,	1 Apr 2021		185 - 190	-	-	185 - 190	185 - 190
Rachel Allsop <sup>3</sup>	1 Nov 2021		85 - 90	-	-	85 - 90	205 - 210
Shona Arora <sup>1</sup>	1 Oct 2021	31 Mar 2022	55 - 60	-	198,000	250 - 255	110 - 115
Lee Bailey	1 Oct 2021		60 - 65	-	24,000	85 - 90	120 - 125
Paul Cain	2 Dec 2021		55 - 60	-	-	55 - 60	175 - 180
Sarah Collins	1 Jan 2022		15 - 20	-	9,000	25 - 30	105 - 110
Mark Driver	18 Nov 2021	25 Nov 2021	0 - 5	-	1,000	0 - 5	105 - 110
Mark Hewlett	1 Oct 2021	6 Mar 2022	95 - 100	-	31,000	125 - 130	220 - 225
Susan Hopkins <sup>4</sup>	1 Oct 2021		75 - 80	-	-	75 - 80	155 - 160
Faran Johnson	1 Oct 2021	31 Oct 2021	10 - 15	-	5,000	15 - 20	155 - 160
Anthony Keeling	1 Oct 2021	12 Nov 2021	20 - 25	-	1,000	20 - 25	195 - 200
Sidonie Kingsmill	1 Oct 2021	31 Mar 2022	50 - 55	-	25,000	75 - 80	125 - 130
Scott McPherson	1 Oct 2021		55 - 60	-	15,000	70 - 75	135 - 140
Isabel Oliver <sup>1</sup> ,	1 Oct 2021		85 - 90	-	35,000	120 - 125	110 - 115
Steven Riley <sup>5</sup>	1 Oct 2021		85 - 90	-	-	85 - 90	170 - 175
Jacqui Rock <sup>6</sup>	1 Oct 2021	31 Dec 2021	50 - 55	-	-	50 - 55	210 - 215
Andrew Sanderson	18 Nov 2021		50 - 55	-	54,000	95 - 100	120 - 125
Donald Shepherd	1 Oct 2021	17 Nov 2021	15 - 20	-	6,000	20 - 25	120 - 125
Alex Sienkiewicz	1 Oct 2021	31 Mar 2022	60 - 65	-	24,000	80 - 85	120 - 125
Adam Wheelwright	1 Oct 2021		100 - 105	-	33,000	130 - 135	200 - 205
Hamza Yusuf	1 Oct 2021	17 Nov 2021	0 - 5	-	5,000	5 - 10	90 - 95
Oliver Munn	7 Mar 2022		5 - 10	-	2,000	5 - 10	90 - 95

\*pro-rated based on length of term served on the committee

- 1 The remuneration of these members of the Executive Committee includes a Clinical Excellence Award
- 2 Opted out of pension therefore no pension benefits in 2021/22
- 3 Contractor – salary calculated based on the day rate agreed and no pension contribution paid
- 4 Seconded from Royal Free Hospital
- 5 Seconded from Imperial College
- 6 On a loan agreement from Cabinet Office

## Compensation for loss of office

No payment of compensation for loss of office was made to any member of the Advisory Board or Executive Committee during the year ended 31 March 2022.

## Remuneration policy

### Non-executive Advisory Board members

Non-executive members' remuneration is not performance related and is determined by the Secretary of State for Health and Social Care. The remuneration package is subject to review by the Secretary of State and no changes have been notified to us.

### Members of the Executive Committee

The policy for remunerating members of the Executive Committee was determined by DHSC in agreement with the Cabinet Office as part of the process for making permanent appointments. Their terms and conditions are either Senior Civil Service or NHS (if their posts are designated within the clinical ring fence). For those within the clinical ring fence, the terms and conditions applicable are either NHS Medical and Dental or ESM in Arm's Length Bodies.



Posts that are included within the clinical ring fence are those that meet the criteria agreed with the Cabinet Office as follows:

- a clinical qualification and professional registration is essential for the role\*
- the role would have a career pathway that included training, which would have been in a publicly-funded health service
- the role would have a career pathway where any further likely promotion or professional development would remain in a publicly-funded health service
- the role has regular patient or population contact

\* For the purposes of public health specialist roles, any posts meeting the Faculty of Public Health's requirements of a public health consultant/ specialist will be considered clinical. For microbiology specialist roles, any posts meeting the Royal College of Pathologists' requirements for a consultant level post will be considered in the same way

For the year ending 31 March 2022, no performance-related payments were paid to members of the Executive Committee on SCS or ESM terms and conditions. The Executive Committee remuneration package consisted of a salary and pension contributions. In determining the package, DHSC and Cabinet Office had regard to pay and employment policies elsewhere

within the Civil Service and NHS as well as the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.

### Payments to a third party for services of Executive Committee members

There were no payments to a third party for services of Executive Committee members in this period.

### Salary, fees and allowances

Salary, fees and allowances cover both pensionable and non-pensionable amounts and include any allowances or other payments to the extent they are subject to UK taxation. They do not include amounts that are simply a reimbursement of expenses directly incurred in the performance of an individual's duties. Expenses paid to Executive Committee members are published quarterly in arrears on [gov.uk/phe](https://gov.uk/phe).

### Bonuses

During the year ending 31 March 2022 no bonuses were awarded to UKHSA employees on SCS terms and conditions.

## Benefits in kind

During the the year ending 31 March 2022, no benefits in kind were made available to any non-executive Advisory Board member or any Executive Committee member.

## Pension entitlements

The Executive Committee are members of the Civil Service or NHS pension schemes. Details of both pension schemes, including benefits payable, are included below. The pension entitlements of Executive Committee members who were in post at the year ending 31 March 2022 are shown in the table on the following page.

## Cash equivalent transfer values

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

pension figures shown relate to the benefits that the individual accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **The real increase in CETV**

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the employee. It is calculated using common market variation factors for the start and end of the period.

## Pension entitlements of Executive Committee members, year ending 31 March 2022

### Audited table

	<b>Total accrued pension at age 60 at 31 March 2021*</b> <b>Bands of £5,000</b>	<b>Real increase in pension at pension age</b> <b>Bands of £2,500</b>	<b>Lump sum at age 60 related to accrued pension at 31 March 2021*</b> <b>Bands of £5,000</b>	<b>Real increase in lump sum at pension age</b> <b>Bands of £2,500</b>	<b>Cash Equivalent Transfer Value at 1 October 2021*</b> <b>To nearest £1,000</b>	<b>Cash Equivalent Transfer Value at 31 March 2022*</b> <b>To nearest £1,000</b>	<b>Real increase in Cash Equivalent Transfer Value*</b> <b>To nearest £1,000</b>
Dr Dame Jenny Harries <sup>2</sup>	-	-	-	-	-	-	-
Shona Arora <sup>1</sup>	65-70	2.5 - 5	170-175	12.5 - 15	1,274	1,476	202
Lee Bailey	20-25	0 – 2.5	-	-	235	252	12
Paul Cain <sup>1</sup>	-	-	-	-	-	-	-
Sarah Collins <sup>2</sup>	20 - 25	0 – 2.5	-	-	228	242	4
Mark Driver	20 - 25	0 – 2.5	-	-	304	305	1
Mark Hewlett <sup>2</sup>	5 - 10	0 – 2.5	-	-	58	79	14
Susan Hopkins <sup>3</sup>	-	-	-	-	-	-	-
Faran Johnson	15 - 20	0 – 2.5	-	-	209	213	3
Anthony Keeling	0 - 5	0 – 2.5	-	-	23	25	2
Sidonie Kingsmill <sup>2</sup>	15 - 20	0 – 2.5	-	-	204	230	12
Scott Mcpherson <sup>2</sup>	50-55	0 – 2.5	95-100	-	822	864	4
Oliver Munn	0 - 5	0 – 2.5	-	-	33	35	1
Isabel Oliver	55 - 60	-	105 - 110	-	979	1,064	28
Steven Riley <sup>3</sup>	-	-	-	-	-	-	-
Jacqui Rock <sup>1</sup>	-	-	-	-	-	-	-
Andrew Sanderson <sup>2</sup>	40 - 45	0 – 2.5	70 - 75	2.5 - 5	573	636	38
Donald Shepherd	15 - 20	0 – 2.5	-	-	193	189	3
Alex Sienkiewicz	15 - 20	0 – 2.5	-	-	198	214	11
Adam Wheelwright <sup>2</sup>	0 - 5	0 – 2.5	-	-	27	52	18
Hamza Yusef <sup>2</sup>	5 - 10	0 – 2.5	-	-	75	77	1

\*information in the table above is pro-rated based on their length of term on the Executive Committee

1. Is a member of a defined contribution scheme with Legal & General so no disclosure required.
2. Opted out of the pension scheme.
3. Pension information was not made available to us from pension providers in the timeframe given for publication.

## Pension scheme participation

Our staff are covered by two main pension schemes; the Principal Civil Service Pension Scheme (PSCPS) and the National Health Service Pension Scheme (NHSPS), with some staff enrolled in the NEST Workplace Pension. The PSCPS and NHSPS pension schemes available are defined benefit schemes, all of which prepare separate scheme statements.

### The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme, but we are unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2021/22, employers' contributions were payable to the PCSPS at one of four rates in the range of 26.6% to 30.3% of pensionable earnings, based on salary bands.

The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021/22 to be paid when the member retires and

not the benefits paid during this period to existing pensioners.

The employee contribution rates are as follows:

Full time pay range	Contribution Rate
Up to £23100	4.60%
£23101 - £56000	5.45%
£56001 - £150000	7.35%
£150,001 and above	8.05%

## The NHS Pension Scheme (NHSPS)

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](http://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 2022, is based on valuation data as 31 March 2020, updated to 31 March 2022 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% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations

could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

**Employee contribution rates are based on pensionable pay scaled to the full year, full-time equivalent for part-time employees, as follows:**

	<b>2020/21 Annual pensionable pay</b>	<b>2020/21 Employee contribution</b>
Tier 1	Up to £15,431.99	5.00%
Tier 2	£15,432-£21,477.99	5.60%
Tier 3	£21,478-£26,823.99	7.10%
Tier 4	£26,824-£47,845.99	9.30%
Tier 5	£47,846-£70,630.99	12.50%
Tier 6	£70,631-£111,376.99	13.50%
Tier 7	£111,377 and over	14.50%

## Employer contributions

We have accounted for our employer contributions to these schemes as if they were defined contribution schemes. UKHSA's contributions were as follows:

Audited table

	<b>Year ending 31/3/22</b> <b>£'000</b>
The PCSPS	32,524
The NHSPS	3,904
Total contributions	36,428

## Retirements due to ill-health (audited)

During the year ending 31 March 2022, there were no early retirement from UKHSA on ill-health grounds.

## Reporting of civil service and other compensation schemes – exit packages

### Audited table

Year ending 31 March 2022

<b>Exit package cost band</b>	<b>Number of redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
< £10,000	2	-	2
£10,000-£25,000	1	-	1
£25,000-£50,000	1	-	1
£50,000-£100,000	-	-	-
£100,000-£150,000	-	-	-
£150,000-£200,000	-	-	-
£200,000 and over	-	-	-
Total number of exit packages	4	-	4
Total resource cost (£000)	53	-	53

## Senior civil service staff by band

The table below shows a breakdown of staff employed on (SCS) terms and conditions as at 31 March 2022:

Unaudited table

Bands	Totals
SCS1	132
SCS2	30
SCS3	3
SCS4	1
Total	166

## Average number of persons employed

The average number of staff employed as at 31st March 2022 was 6,590.

Audited table

Year ending 31 March 2022

	Permanently employed staff	Others	Total
Directly employed	3,564	-	3,564
Other	-	3,026	3,026
<b>Total</b>	<b>3,564</b>	<b>3,026</b>	<b>6,590</b>

## Staff composition

The table below shows our staff composition by headcount as at 31 March 2022

Unaudited table

	Male	Female	Total
Directors	22	14	36
Senior Civil Service	174	192	366
Other Staff	2072	4132	6,204
Total	2,268	4,338	6,606

## Analysis of staff costs

### Audited table

Year ending 31 March 2022

	Permanently employed staff	Other staff	Total £000
Wages and salaries	143,377	224,106	367,483
Social security costs	14,771	-	14,771
Apprenticeship levy	689	-	689
Other pension costs	36,673	-	36,673
<b>Subtotal</b>	<b>195,510</b>	<b>224,106</b>	<b>419,616</b>
Redundancy & other dept. costs	13	-	13
Recoveries in respect of outward secondments	(811)	-	(811)
Recoveries in respect of capital projects	(2,463)	-	(2,463)
<b>Total net costs</b>	<b>192,249</b>	<b>224,106</b>	<b>416,355</b>

## Comparison of median pay to highest earning director's remuneration (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's

workforce. Total remuneration includes salary, non-consolidated performance related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

On this basis, the banded remuneration of the highest paid director in the financial year 2021/22 was £200,000 to £205,000. This was 5.3 times the median remuneration of the workforce which was £37,452. The table below shows pay ratios per percentile:

Percentile	2021/22 Ratio	2021/22 Remuneration (£)
25th	5.3	28,588
50th	7.0	37,452
75th	3.8	52,324

In 2021/22, remuneration across our workforce ranged from £18,185 to £233,840

Three employees received remuneration in excess of the highest paid director. Their salaries are disclosed in the Cabinet Office's list of senior officials 'high earner' salaries:

[www.gov.uk/government/publications/senior-officials-high-earners-salaries](http://www.gov.uk/government/publications/senior-officials-high-earners-salaries)

## Sickness absence

For the year ended 31 March 2022, the total number of whole time equivalent (WTE) days lost to sickness absence was 29,574 days, an average of 3.2 working days per staff WTE per year; and a sickness absence rate of 2.12%. It should be noted that the percentage absence figure is higher than reported to the Cabinet Office (1.30%), which is based on absence in working days; the figure above is based on total absence in calendar days.

The annual staff turnover for the year to 31 March 2022 was 13.57%. The majority of this consisted of fixed term posts coming to an end.

## Staff policies

UKHSA is a Disability Confident Leader and we guarantee an interview for all applicants who declare to have a disability and who meet the essential criteria of the job role. Additional information is also provided for all applicants on how to complete an application form.

In order to provide a level playing field, we make the necessary reasonable adjustment requested by the candidates.

UKHSA is committed to supporting all staff during their period of employment. By working closely with the individual, we can ensure that the appropriate



reasonable adjustments are made and that the staff member has the right access to training.

The training and development of our staff is key to UKHSA. All staff are provided with the opportunity to further enhance their skills and abilities to enable them to fulfil the requirements of the role and help maximise their talent. Managers are expected to apply consistency and equity in line with the learning and professional development policy.

We develop all our employment-related policies in partnership with recognised trade unions which are ratified through the Partnership Forum, chaired by the Chief Executive.

### Consultancy spend

Based on the following Cabinet Office definition:

The provision to management of objective advice and assistance relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be time-limited. Consultancy often includes the identification of options with recommendations, or assistance with the implementation of solution but typically not delivery of business as usual activity.

Total UKHSA spend in the year ending 31 March 2022 was £10.0m.

## Off-payroll engagements

The following table shows all off-payroll engagements as of 31 March 2022, with a value of more than £245 per day and that last for longer than six months:

### Unaudited table

	P/E 31/3/22
Number of existing engagements as of 31 March	2
for less than one year at the time of reporting	2
for between one and two years at the time of reporting	-
for between two and three years at the time of reporting	-
for between three and four years at the time of reporting	-
for four or more years at the time of reporting	-

Source: <https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40>

The following table shows all temporary off-payroll engagements, for the year ending 31 March 2022.

## Unaudited table

<b>Off-payroll engagement</b>	<b>P/E 31/3/22</b>
Number of temporary off-payroll workers engaged between 1 April and 31 March	4
Number not subject to off-payroll legislation	-
Number subject to off-payroll legislation and determined as in-scope of IR35	2
Number subject to off-payroll legislation and determined as out of scope of IR35	2
Number of engagements reassessed for consistency or assurance purposes during the year	117
Number of engagements that saw a change to IR35 status following the consistency review	2

The following table shows any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2021 and 31 March 2022.

	<b>Period Year ending 31/3/22</b>
Number of off-payroll engagements of board members, and/ or senior officers with significant financial responsibility, during the financial year	-
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	22
This figure includes both on payroll and off-payroll engagements	

## Trade Union (Facility Time publication Requirements) Regulations 2017

The table below contains information on facility time taken by UKHSA trade union representatives

Unaudited table

	<b>Year ending 31/3/22</b>
Number of representatives	52
FTE	47.8
Number of representatives spending zero % on facility time	23
Number of representatives spending 1 - 50 % on facility time	29
Total cost of facility time	£31,301
% of total pay bill	0.01

We both recognise and value the work done by our Trade Union representatives and wholly support our partnership working framework through which we can achieve better outcomes for our people.

### Staff engagement

4,917 UKHSA staff responded to the Civil Service People Survey in October 2021. Our Engagement Index was 60%.

## Auditable and non-auditable elements of this report

The tables in this remuneration and staff report specified as audited have been subject to audit and are referred to in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The Auditor General's opinion is included within his certificate and report on pages 173 to 182.

## Parliamentary accountability and audit report

### Remote contingent liabilities - audited

UKHSA has the following remote contingent liabilities:

UKHSA maintains a stockpile of medical countermeasures for responding to Chemical, Biological, Radiological and Nuclear (CBRN) incidents. Some of these products are unlicensed because no licensed alternatives are available in the UK. Similarly, UKHSA also holds stocks of unlicensed anti-venoms and anti-toxins. If any recipients were to suffer an adverse reaction to using these products UKHSA would be liable. The associated contingent liability is unquantifiable.

### Liabilities in respect of contractual obligations

UKHSA holds contractual liabilities in respect of redundancy payments and entitlements and it also holds liabilities in respect of commercial contract obligations. These liabilities include contractual indemnities the Department has entered into as part of its response to COVID-19.

UKHSA has provided a letter of comfort to local authorities participating in the COVID-19 Community Testing Programme, offering a route to manage potential clinical negligence claims, should

they arise in the course of testing conducted by local authorities

### **Fees and charges - audited tables**

An analysis of the services for which a fee is charged where the full cost is over £1 million or is otherwise material in the context of the financial statements is as follows:

## Year ending 31 March 2022

	<b>Income £000</b>	<b>Full Cost £000</b>	<b>Surplus/ (Deficit) £000</b>	<b>Details of financial objective £000</b>	<b>Details of performance against the financial objective £000</b>
Clinical Microbiology	21,108	29,986	8,878	Charges for pathology tests, mostly to the NHS.	Met: broadly in line with internal targets
Supplies of cell cultures and related services	2,907	2,332	575	Supplies of cell cultures and related services	Met: broadly in line with internal targets
Vaccine Evaluation and External Quality Assurance Schemes	3,929	1,415	2,514	Charges for the evaluation of new vaccines and for quality control standards	Met: broadly in line with internal targets
Intellectual Property Management	20,649	2	20,647	Receipts from royalties on intellectual property, mostly earned on end sales of Dysport	Met: broadly in line with internal targets
Commercial radiation services	6,103	5,265	838	Charges for various radiation services	Met: broadly in line with internal targets
<b>Total</b>	<b>54,696</b>	<b>39,000</b>	<b>15,696</b>		
Income that is not subject to fees and charges disclosure	95,363				
<b>Total income (note 5)</b>	<b>150,059</b>				



Some of our staff involved in income generating work are also required to work on core research and public health activities during the year.

This note has not been provided for IFRS8 purposes.

## Losses and special payments

Losses statement – audited

Year ending 31 March 2022

	Number	£'000
Monetary losses	-	-
Loss of accountable stores	8	43,084
Fruitless payment	1	553
Constructive loss	3	1,604
Claims waived or abandoned	-	-
<b>Total</b>	<b>12</b>	<b>45,240</b>

### Details of cases over £300,000

Loss of accountable stores:

#### COVID-19 Testing – Site Demobilisation: £41.0m

In line with the Living with COVID strategy, UKHSA demobilised all test sites in England and Wales during 2022. This led to the donation, recycling or disposal of assets acquired between 2020 and 2022 in line with an approved disposal strategy.

This sum is for trailers used for COVID testing.

The majority of trailers have been donated to NHS Trusts, Local Authorities and the Fire Service. We

are also exploring options for the resale of the remaining stock.

#### COVID test kits: £1.6m

A contract was entered into on or around 26 June 2020 for the supply of 600,600 Liaison SARS-CoV-2 S1/S2 IgG testing kits and controls to DHSC. The parties reached a settlement of a dispute arising out of the contract on 7 January 2022 without any admission of liability, the terms of which are subject to confidentiality provisions.

#### Sodexo COVID-19 Testing – Site Demobilisation: £1.0m

This figure covered various items of equipment used at Test sites, including IT and office equipment and iPhone scanners. Buy back options were utilised where possible for larger assets, but small assets have no resale value.

#### G4S COVID-19 Testing – Site Demobilisation: £0.7m

This covers assets left over from demobilisation of G4S COVID-19 testing facilities, which will be donated, repurposed or disposed of in line with the approved disposal strategy.

#### Fruitless payment:

#### Over procurement of Safety Cabinets

DHSC entered into a contract with a supplier for Microbiological Safety Cabinets (MSCs). DHSC, at the time when this contract was let, was at

the height of its pandemic response and there existed significant uncertainty around future policy. MSCs sufficient to upgrade laboratories across the country were procured but, in the event, were not all required. 222 of the MSCs were cancelled and as a result a payment of £0.5m was made for restocking fees, storage charges and cancellation fees to the supplier.

### Special payments – audited

Year ending 31 March 2022

	Number	£000
Compensation	2	6
Extra contractual	5	65,230
<b>Total</b>	<b>7</b>	<b>65,236</b>

### Details of cases over £300k

#### Oxford Nanopore Technologies Plc (ONT) settlement

On 30 July 2020, DHSC entered into a £106 million contract with ONT for the supply of LamPORE testing technology - a swab or saliva test for COVID-19. Responsibility for management of the contract transferred to UKHSA on 1 October 2021.

On 31 March 2022, the Department of Health and Social Care and ONT reached an amicable resolution of a dispute relating to the contract by entering into a settlement agreement without any

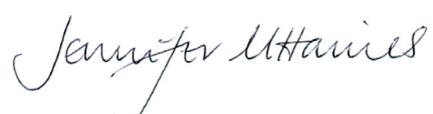
admission of liability. This included agreement as to the contract being brought to an end and a payment of £60 million (including VAT) from DHSC to ONT, as payment in full of amounts owed under the agreement.

### Nasopharyngeal swab contract settlement

On 30 October 2020, DHSC entered into a £5.9 million contract with Hutchison International for the supply of Nasopharyngeal swabs and swab test kits. The parties reached a settlement of a dispute arising out of the contract on 18 March 2022 without any admission of liability, the terms of which are subject to confidentiality provisions.

### Anti-body tests contract settlement

DHSC entered into a minimum commitment contract with Ortho Clinical Diagnostics Ltd on 10 June 2020 for the supply of IgG Anti-SARS-CoV-2 Antibody tests. Under the terms of the contract, the Authority was obliged to place orders to purchase for a minimum number of antibody tests. The parties reached a settlement of a dispute arising out of the contract on 18 March 2022 without any admission of liability, the terms of which are subject to confidentiality provisions.



Dame Jenny Harries  
Accounting Officer  
23 January 2023

## The Certificate of the Comptroller and Auditor General to the House of Commons

### Disclaimer of opinion on financial statements

I certify that I was appointed to audit the financial statements of the UK Health Security Agency for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise the UK Health Security Agency's;

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

I do not express an opinion on the financial statements of the UK Health Security Agency. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of my certificate, I have not been able to obtain sufficient appropriate audit evidence

to provide a basis for an audit opinion on these financial statements.

### Disclaimer of opinion on regularity

I do not express an opinion on the regularity of the transactions recorded in the financial statements of the UK Health Security Agency. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of my certificate, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion about whether, in all material respects, the income and expenditure 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 disclaimer of opinions

I have been unable to conclude my audit in a number of key areas, which included but were not limited to:

#### Inventory

The transfer of functions from Public Health England and the Department of Health and Social Care to the UK Health Security Agency was not aligned with the financial reporting period for central government. A public sector body which receives

functions from another part of government, 'Should satisfy itself that the data provided by the transferor related to the assets and liabilities being transferred are complete and accurate'.<sup>1</sup> However, no stock counts were performed to support the completeness and accuracy of £794 million of Test and Trace inventory or £254 million of stockpiled goods transferred to the UK Health Security Agency on 1 October 2021. Consequently, there was no evidence available to me to support the completeness and accuracy of these inventories at the point of transfer.

As at 31 March 2022, the UK Health Security Agency recognises £361 million of Test and Trace consumables in its Statement of Financial Position. During the year the UK Health Security Agency recognised £3,305 million of consumption of this inventory and £148 million of associated write-downs. The UK Health Security Agency did not provide records to support the £3,305 million of consumption. Consequently, I was not able to gain assurance over the in-year movements in this inventory.

Although I was able to attend stock takes for the Test and Trace consumables inventory, these counts did not occur until several months after the year-end, and I noted discrepancies at several of

1 HM Treasury, Guidance on Accounting for Business Combinations within the Public Sector, p. 5.

these visits. Consequently, I am not able to provide assurance over the completeness and accuracy of the year-end Test and Trace consumables inventory.

### Accruals

The Department of Health and Social Care transferred £1,552 million of accruals to the UK Health Security Agency on 1 October 2021. During my audit, I sought to obtain evidence to support the completeness and accuracy of accruals transferred. While the UK Health Security Agency was able to provide supporting evidence for some of the balances they received from the Department of Health and Social Care, I am unable to express an opinion on this balance on the basis of the evidence provided.

As at 31 March 2022, the UK Health Security Agency recognises £1,946 million of accruals. During my audit, I sought to obtain evidence to support the completeness and accuracy of these accruals. While the UK Health Security Agency was able to provide supporting evidence for some of these accruals, I am unable to express an opinion on this balance on the basis of the evidence provided.

### Expenditure

After adjusting for movements in inventory during the year, the UK Health Security Agency



recognised £2,984 million of expenditure on the purchase of goods and services during the year. During my audit, I sought to obtain evidence to support this expenditure. While the UK Health Security Agency was able to provide supporting evidence for some of these transactions, I am unable to express an opinion on these transactions on the basis of the evidence provided.

### Journals

As I conduct my audit in accordance with International Standards on Auditing (UK), I am required to test journal adjustments to the accounting records. While the UK Health Security Agency was able to provide supporting evidence for some of these adjustments, I am unable to express an opinion on these adjustments on the basis of the evidence provided.

### Summary

Due to the matters outlined above, I am unable to form an opinion on the financial statements as a whole.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the UK Health Security Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the UK Health Security Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the UK Health Security Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

### Opinion on other matters

I was appointed to express an opinion on whether the parts of the Accountability Report subject to audit, including the part of the Remuneration and Staff Report to be audited, have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of my certificate, I have not been able to obtain appropriate audit evidence to provide a basis for an opinion on the parts of the Accountability Report subject to audit, including the part of the Remuneration and Staff Report to be audited.

In my opinion, based on the work undertaken in the course of the audit, the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

### **Matters on which I report by exception**

I was appointed to report on whether, in the light of the knowledge and understanding of the UK Health Security Agency and its environment obtained in the course of the audit, I have identified material misstatements in the Performance and Accountability Report. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of my certificate, I make no such report.

In respect solely of the matters referred to in the Basis for Disclaimer of Opinions section above:

- I have not received all of the information and explanations I require for my audit;
- adequate accounting records have not been kept by the UK Health Security Agency or returns adequate for my audit have not been received from branches not visited by my staff;
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; and
- I have been unable to conclude on whether certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or whether the part of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Governance Statement does not reflect compliance with HM Treasury's guidance

## 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the UK Health Security Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the UK Health Security Agency will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

I was appointed to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

I conducted my audit in accordance with International Standards on Auditing (UK), applicable

law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom. However, because of the matters described in the Basis for Disclaimer of Opinion section of my certificate, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on these financial statements.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the UK Health Security Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

Gareth Davies

25 January 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Report of the Comptroller and Auditor General to the House of Commons

### Introduction

- 1.1** The UK Health Security Agency ('UKHSA') was established on 1 April 2021, becoming fully operational on 1 October 2021. As an executive agency of DHSC, HM Treasury has directed UKHSA to prepare financial statements under section 7 of the Government Resources and Accounts Act 2000.
- 1.2** The Government Resources and Accounts Act 2000 requires me to 'examine and certify the accounts [and to] issue a report on them'. It sets a statutory deadline that the accounts, together with my report, shall be laid before the House of Commons no later than 31 January of the year following that to which the accounts relate.
- 1.3** As set out in my certificate, I have been appointed to provide an opinion on whether the financial statements give a 'true and fair' view of UKHSA's finances for the year and on whether the transactions recorded in the financial statements have been applied to the purposes intended by Parliament and whether they conform to the authorities

which govern them ('regularity').

- 1.4** During my audit, I have not been able to obtain sufficient, appropriate evidence upon which to form an opinion. It is possible that the impact of undetected misstatements and irregularities is both material and pervasive to the financial statements. Accordingly, I have disclaimed my 'true and fair' and 'regularity' opinions on the financial statements.
- 1.5** In this report, I explain the matters which have led me to disclaim my opinions on the financial statements.

## Creation of UKHSA

- 1.6** On 18 August 2020, between the first and second waves of the COVID-19 pandemic, the then-Secretary of State announced a machinery of government change to reorganise public health in **England**. The proposed new organisation, then called the National Institute for Health Protection, would bring together the health protection functions of Public Health England ('PHE') with the NHS Test and Trace programme from the Department of Health and Social Care ('DHSC') and the Joint Biosecurity Centre.



- 1.7 DHSC and PHE worked quickly, in the uniquely challenging circumstances of the pandemic, to set-up the new organisation whilst also playing a key role in the Government's response to further waves of COVID-19.** Seven months after the Secretary of State's announcement, on 1 April 2021, the new organisation was established as UKHSA. For the first six months of UKHSA's existence, PHE retained its health protection functions and DHSC retained responsibility for NHS Test and Trace. PHE closed and transferred its functions to UKHSA on 1 October 2021 and DHSC transferred NHS Test and Trace on the same date.
- 1.8 Once it had been established, UKHSA continued to face a challenging operating environment.** The challenges included responding to the ongoing COVID-19 pandemic and then delivering the significant decrease in testing that was announced in February 2022. This required a rapid, large-scale reduction in spending and headcount.

## Governance arrangements for UKHSA during the year ended 31 March 2022

**1.9 Good governance is fundamental to any organisation. It helps to ensure that management is held to account to ensure that entities are run effectively and efficiently.** As an executive agency of DHSC and a central government body, UKHSA should comply with the principles of HM Treasury and the Cabinet Office's Corporate governance in central government departments: code of good practice ('the Code'). The code requires that central government bodies should, 'have an effective board, which provides leadership for the department's business, helping it to operate in a business-like manner'.<sup>1</sup> Departures from the code are permitted and, 'may be justified if good governance can be achieved by other means. Reasons for departure should be explained clearly and carefully in the governance statement'.<sup>2</sup>

1 HM Treasury and Cabinet Office, Corporate governance in central government departments: code of good practice, April 2017, p. 13.

2 HM Treasury and Cabinet Office, Corporate governance in central government departments: code of good practice, April 2017, p. 10.

- 1.10 During the year ended 31 March 2022, UKHSA did not have a board or an Audit and Risk Assurance Committee.** Although Ministers appointed a non-executive Chair before UKHSA was established on 1 April 2021, no further non-executive directors were appointed until 28 April 2022 almost 13 months after UKHSA was established and seven months after it became fully operational. As at the date of my report, a Chair of its Audit and Risk Assurance Committee is yet to be appointed. The Chair of UKHSA is acting as the interim Chair of the Audit and Risk Assurance Committee until a permanent appointment is made.
- 1.11 As the Advisory Board and the Audit and Risk Assurance Committee did not meet formally for the first time until June 2022 and July 2022 respectively, UKHSA did not comply with the Code during the year ended 31 March 2022.** The Government Internal Audit Agency ('GIAA') completed a review of UKHSA's corporate governance arrangements as part of its work to support the Head of Internal Audit's opinion for 2021-22. That report concluded that, in its opinion, UKHSA's corporate governance arrangements were unsatisfactory. The

GlAA definition for an assurance opinion of ‘unsatisfactory’ is that, ‘there are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail’.<sup>3</sup>

**1.12 The absence of formal governance arrangements exposed UKHSA to a high level of risk.** The Code envisages that boards help organisations succeed, ‘by encouraging good planning, managing performance regularly and raising delivery capability. They also help foster a culture of openness and governance by providing a clear oversight structure’. The absence of proper governance arrangements therefore creates a risk to the proper running of the organisation. Furthermore, this meant that during its first six months of operations there was no clear oversight structure or mechanism for identifying and addressing significant control deficiencies.

**1.13 The delay in establishing appropriate formal governance arrangements also reflects a deeper fragility of UKHSA’s staffing.** As a result of the transfer of NHS

<sup>3</sup> Government Internal Audit Agency, UK Health Security Agency: Corporate Governance – Final Internal Audit Report, p. 3.

Test and Trace from DHSC on 1 October, UKHSA has been heavily reliant on a temporary workforce. During my audit, one barrier to my ability to obtain evidence to allow me to give an audit opinion has been the transitory nature of the workforce meaning that officials who had prepared transactions or balances reflected in the financial statements had left the organisation and were not able to provide explanations and evidence to support those figures. This is also mirrored at a senior level, with most of the senior management team in post on an interim basis.

### Absence of assurances to evidence balances transferred to UKHSA on 1 October 2021

**1.14 The transfer of functions from PHE and DHSC to UKHSA on 1 October 2021 was not aligned with the financial reporting period for central government.** HM Treasury's guidance on accounting for business combinations within the public sector states that a public sector body which is receiving functions from another part of government, 'Should satisfy itself that the data provided by the transferor relating to the assets and liabilities being

transferred are complete and accurate'.<sup>4</sup>

This is more challenging when a transfer does not take place at the financial year-end, when organisations usually perform work to validate their assets and liabilities before they submit their accounts for audit.

**1.15 DHSC transferred £794 million of NHS Test and Trace inventory to UKHSA, but did not perform period-end stock counts over these assets before it transferred them to UKHSA on 1 October 2021.** I have previously reported on the weaknesses in DHSC's inventory management systems and the incompleteness of records over inventory. I qualified my opinion on the DHSC resource accounts for 2020-21 in this respect.<sup>5</sup> DHSC did not resolve these issues before it transferred NHS Test and Trace to UKHSA. Consequently, there was no evidence to support the completeness and accuracy of NHS Test and Trace inventory transferred to UKHSA on 1 October 2021.

**1.16 DHSC also transferred £1,522 million of**

4 HM Treasury, Guidance on Accounting for Business Combinations within the Public Sector, p. 5.

5 Department of Health and Social Care, Department of Health and Social Care Annual Report and Accounts 2020-21, January 2021, p. 200.

**NHS Test and Trace accruals to UKHSA, who have not been able to evidence the validity of the balances transferred on 1 October 2021.** I have previously reported on the weaknesses in DHSC's financial control and difficulties it encountered in providing adequate accounting records and supporting evidence in respect of accruals. I also qualified my opinion on the DHSC resource accounts for 2020-21 in this respect.<sup>6</sup> DHSC did not resolve these issues before it transferred NHS Test and Trace to UKHSA. Consequently, while UKHSA were able to provide supporting evidence confirming some of the accruals balances they received from DHSC, I was not able to conclude on the basis of the evidence provided.

**1.17 PHE transferred £1,030 million of inventory and stockpiled goods to UKHSA.** Although it performed period-end stock counts over its vaccine inventories of £767 million before it transferred them to UKHSA on 1 October 2021, it did not perform such stock counts over stockpiled goods of £254 million transferred at the same date. PHE's normal business practice

<sup>6</sup> Department of Health and Social Care, Department of Health and Social Care Annual Report and Accounts 2020-21, January 2021, p. 200.

was to perform full counts of its vaccine inventory two times a year; halfway through the year, on or around 30 September, and at the financial year-end, on or around 31 March. However, its normal business practice was to perform a full count of its stockpiled goods at the financial year-end only. This reflects that vaccine inventory is much faster moving than stockpiled goods. No changes were made to this practice to provide assurance over the completeness and accuracy of the stockpile before transfer of these assets to UKHSA. PHE's view was that an additional count of stockpiled goods could pose a risk to public health as it could compromise the autumn 2021 COVID-19 vaccine rollout.

## UKHSA's control environment during the six months ended 31 March 2022

**1.18 On 1 October 2021, the same day that it became fully operational, UKHSA implemented a new Enterprise Resource Planning ('ERP') system.** Implementing a new ERP system is a significant undertaking for any organisation, even more so an organisation undergoing a high-profile machinery of government change. During my audit, UKHSA struggled to provide records



and populations from the ERP system which reconciled back to the financial statements. These difficulties suggest shortcomings in how the system was configured and in how well UKHSA's workforce, which experienced significant turnover during the period, was trained to use the system.

**1.19 Some critical elements of the system of internal control were not operating during the period ended 31 March 2022.** They key control which organisations operate to take assurance over the bank balance is the bank reconciliation, whereby the accounting records are reconciled to the bank records each month-end. During my audit, I identified that UKHSA had not performed effective bank reconciliations during the period ended 31 March 2022, relying on an automated tool which was not functioning as designed. UKHSA had not previously identified this issue and subsequently performed retrospective reconciliations to cover the period to 31 March 2022. I understand that this issue arose because of shortcomings of the data imported into the ERP system on 1 October 2021, raising additional concerns about the implementation of the system.

**1.20 It took significantly longer than normal for UKHSA to close its financial records and it missed almost all of the milestones on its own reporting timetable.** This planned timetable was already significantly longer than is usual for central government bodies. In the event, UKHSA closed the general ledger in June 2022 and sent this to me in August 2022. UKHSA provided me with a first draft of the financial statements in July 2022, but this was incomplete and had not been subject to management review. A more complete version of the financial statements was provided in September 2022.

**1.21 The delays to the timetable were compounded by the difficulties that UKHSA encountered when seeking to provide sufficient appropriate audit evidence to support the balances and transactions which I selected for sample testing.** I encountered large uncertainties where UKHSA was not able to provide sufficient, appropriate evidence to support transactions and balances recorded in the financial statements. I encountered such uncertainties in almost all areas which were within the scope of my audit testing during the year. This includes expenditure, in-year accruals and also manual journals posted to the accounting records.

**1.22 When I have assessed the impact of these uncertainties to assess their total impact on the financial statements, I have concluded that the impact of unidentified misstatements could be material and pervasive to the financial statements.** Consequently, in accordance with International Standard on Auditing (UK) 705 – Modifications to the opinion in the independent auditor’s report, I have disclaimed my ‘true and fair’ and ‘regularity’ opinions on UKHSA’s financial statements.

## Conclusions

**1.23 Machinery of government changes are complex undertakings, which require significant investment of time and skills.** UKHSA was established at pace while the UK was responding to the COVID-19 pandemic, bringing together the health protection functions of Public Health England with NHS Test and Trace. DHSC did not sufficiently support or oversee UKHSA’s administrative functions to enable the new organisation to resolve the issues that it inherited from its predecessor organisations, or to equip it to succeed in embedding best practice in financial management.

**1.24 The audit work that I have performed has identified significant shortcomings in financial control and governance which are pervasive to UKHSA's financial statements.** The uncertainties that I have encountered mean that I am not able to report quantifiable adjustments which UKHSA could make to correct the financial statements.

### Recommendation

**1.25 DHSC and UKHSA should work with HM Treasury to agree and implement an action plan to get UKHSA on track to deliver auditable financial statements for 2022-23.** I understand that work on an action plan has begun. Resolution of the issues, for example those arising from the implementation of the new ERP system, will require additional investment and support for UKHSA's finance team to ensure they are properly equipped to succeed with this challenge.

Gareth Davies

25 January 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## 3 Accounts

### Statement of comprehensive net expenditure

For the year ended 31 March 2022

	Note	2021/22 £000
Income from sale of goods and services	5	(122,951)
Other operating income	5	(18,841)
<b>Total operating income</b>		<b>(141,792)</b>

Staff costs	3	416,355
Purchase of goods and services	4	8,282,362
Other operating expenditure	4	293,772
Depreciation and impairment charges	4	93,841
Provision expense	4	21,812
<b>Total operating expenditure</b>		<b>9,108,142</b>

<b>Net operating expenditure</b>		<b>8,966,350</b>
Finance income	5	(272)
<b>Net expenditure for the year</b>		<b>8,966,078</b>

Gain on transfer by absorption	6	(1,045,074)
Donated COVID vaccine	11	(1,428,531)
<b>Net expenditure for the year (after absorption loss)</b>		<b>6,492,473</b>

<b>Other comprehensive net expenditure</b>		
Items which will not be reclassified to net operating costs:		
Net loss/(gain) on revaluation of investments	13	27,000
Net loss/(gain) on revaluation of property, plant and equipment	7	(580)
<b>Comprehensive net expenditure for the year</b>		<b>6,518,893</b>

All income and expenditure arises from continuing activities.

The notes on pages 204 to 249 form part of these accounts

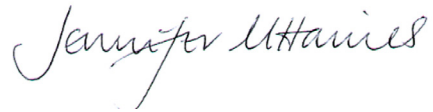
## Statement of financial position

As at 31 March 2022

	Note	31 Mar 2022 £000
<b>Non-current assets:</b>		
Property, plant and equipment	7	932,736
Intangible assets	8	31,986
Investment property		15,491
Financial assets	13	18,350
Other non-current assets	12	18
<b>Total non-current assets</b>		<b>998,581</b>
<b>Current assets:</b>		
Trade and other receivables	12	325,375
Inventories	11	1,102,482
Cash and cash equivalents	14	215,598
<b>Total current assets</b>		<b>1,643,455</b>
<b>Total assets</b>		<b>2,642,036</b>
<b>Current liabilities</b>		
Trade payables and other current liabilities	15	(2,148,962)
Provisions	16	(98,282)
<b>Total current liabilities</b>		<b>(2,247,244)</b>
<b>Non-current assets plus net current assets</b>		<b>394,792</b>
<b>Non-current liabilities</b>		
Provisions	16	(16,683)
<b>Total non-current liabilities</b>		<b>(16,683)</b>
<b>Assets less liabilities</b>		<b>378,109</b>
<b>Taxpayer's equity</b>		
General fund		293,845
Fair value reserve		-
Revaluation reserve		84,264
<b>Total taxpayer's equity</b>		<b>378,109</b>



The notes on pages 204 to 249 form part of these accounts. The financial statements on pages 198 to 203 were signed by:

A handwritten signature in cursive script that reads "Jennifer Harries".

Dr Dame Jenny Harries,  
Accounting Officer  
23 January 2023

## Statement of cash flows

For the year ended 31 March 2022

	Note	2021/22 £000
<b>Cash flows from operating activities</b>		
Net operating expenditure		(8,966,751)
<b>Adjustments for non-cash transactions</b>		
Auditor remuneration	4	401
Loss on de-recognition of property, plant and equipment and intangible assets	4,7,8	(9,687)
Stockpiled goods transferred to inventory	7, 11	33
Gain on disposal (PPE note)		4,867
Transfer between fixed & intangible assets		(1,579)
Reclassification of stockpiled goods	7	(16)
Amortisation and depreciation	4	64,337
Provision for impairments	4	21,633
Impairments	4,10	460,057
Transfers relating to modified and absorption accounting		(65,128)
(Increase) / decrease in stockpiled goods		23,800
(Increase) / decrease in trade and other receivables	12	(136,015)
(Increase) in inventories	11	15,600
Donated COVID vaccine	11	1,428,531
Increase / (decrease) in trade payables	15	435,145
Provisions utilised in the year	16	(38,505)
(Increase) / decrease in provisions	16	72,749
<b>Net cash outflow from operating activities</b>		<b>(6,690,528)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	7	(86,885)
Purchase of intangible assets	8	(11,335)
Finance income	5	272
Decrease in investment in Porton Biopharma Ltd	13	107,072
<b>Net cash outflow from investing activities</b>		<b>9,124</b>
<b>Cash flows from financing activities</b>		
Net parliamentary funding		6,897,001
<b>Net cash inflow from financing activities</b>		<b>6,897,001</b>
<b>Net (increase)/decrease in cash and cash equivalents in the period</b>		<b>215,597</b>
Cash and cash equivalents at the beginning of the period	14	-
Cash and cash equivalents at the end of the period	14	215,597

The notes on page 204 to 249 form part of these accounts.

## Statement of changes in taxpayers' equity

For the year ended 31 March 2022

	<b>Note</b>	<b>General fund</b>	<b>Fair value revaluation reserve</b>	<b>Revaluation reserve</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2021		-	-	-	-
Net parliamentary funding		6,897,001	-	-	6,897,001
Net gain on revaluation of investments	13	(54,050)	-	-	(54,050)
Non cash charges: auditor remuneration & pension costs	4	401	-	-	401
Net (gain) on revaluation of property, plant and equipment	7	-	-	580	580
Transfer between reserves		(83,684)	-	83,684	-
Total net operating expenditure for the year		(6,465,823)	-	-	(6,465,823)
<b>Balance at 31 March 2022</b>		<b>293,845</b>	<b>-</b>	<b>84,264</b>	<b>378,109</b>

The notes on pages 204 to 249 form part of these accounts.

## Notes to the financial statements

### 1 Statement of accounting policies

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#### 1.1 Statement of accounting policies

HM Treasury has directed UK Health Security Agency (UKHSA), in accordance with Section 7 (1) and 2 (2) of the Government Resources and Accounts Act 2000 to prepare financial statements 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 that is judged to be most appropriate to the particular circumstances of UKHSA for the purpose of giving a true and fair view has been selected. The policies adopted by UKHSA are described below. They have been applied consistently in dealing with items considered material to the accounts.

#### 1.2 Operating segments

In accordance with IFRS 8, UKHSA's activities are considered to fall within three distinct segments: the payment of ring-fenced public health grants to local authorities, expenditure on vaccines and emergency countermeasures and expenditure

relating to operational activity. These operating segments reflect the information provided to the Chief Executive, UKHSA's Management Committee and Advisory Board. Details of income and expenditure of each of the segments are shown in note 2 and are disclosed in more detail within the relevant notes to the accounts.

### **1.3 Accounting convention**

These accounts have been prepared under the historical cost convention, modified to account for the revaluation to fair value of property, plant and equipment, investment property, certain financial assets/liabilities and assets held for sale.

### **1.4 Going concern**

In August 2020, the Secretary of State for Health and Social Care announced the establishment of a new organisation now called UK Health Security Agency (UKHSA). UKHSA was established on 1 April 2021 with relevant health protection functions and activities being transferred from PHE and the NHS Test and Trace programme from DHSC to UKHSA on 1 October 2021.

By virtue of the Health and Social Care Act 2012, UKHSA exists as an executive agency established within the Department of Health and Social Care (DHSC). A public sector entity is a going concern

if the service is envisaged to continue and the published main estimates envisage this to be the case. UKHSA is included in the government main estimates for 2022/23 and, as such, UKHSA's annual report and accounts are produced on a going concern basis.

### **1.5 Grants payable**

Grants made by UKHSA are recognised as expenditure in the period when the recipient is entitled to the grant and the amount can be reliably estimated; the payments match consumption which reflects the expected needs of the recipient and therefore entitlement of the grant. This is in accordance with IAS 20 and the FReM.

### **1.6 Audit costs**

UKHSA is audited by the Comptroller and Auditor General. No cash charge is made for this service but a notional charge reflecting the cost of audit is included in expenditure. This notional charge covers the audit costs in respect of UKHSA's annual report and accounts. No other audit or non-audit services were provided.

## 1.7 Value added tax (VAT)

UKHSA is registered for VAT. VAT is charged on invoices for business contracts relating to products, services and research activities. UKHSA recovers part of its input VAT proportionate to its business activities in relation to total income. Expenditure is shown net of recoverable VAT. Non-recoverable VAT is charged to the relevant expenditure or capitalised if it relates to a non-current asset.

## 1.8 Income

Net parliamentary funding received from DHSC is treated as a contribution from a controlling party rather than as operating income and is, therefore, credited directly to the general reserve as it is received.

In accordance with IFRS 15, UKHSA recognises revenue from contracts with customers when they satisfy the applicable performance obligation, thereby matching revenue to performance obligations under the 5-step income recognition policy determined by the standard. Income streams are shown in note 5 with the principles of IFRS 15 adopted as follows:

### Laboratory and other services

This income predominantly relates to the provision of laboratory tests which have a set price. The performance obligation is the delivery of the test

result. Revenue is recognised once the tests are complete.

### Products and royalties

This income predominantly relates to contracts for royalties, based on a percentage of sales made by third parties or on the use of specific intellectual property. This is recognised as the underlying sales are made by the third party or on receipt.

### Education and training

The performance obligation and revenue are recognised on the delivery of training at an agreed price.

### Vaccines income

This predominantly relates to the income earned from the UK's Devolved Administrations (DAs) for access to stockpiled goods held by UKHSA. The performance obligation is the availability of vaccines on demand with the revenue recognised over the life of the contract at a contracted price. UKHSA received COVID-19 vaccines from DHSC resulting in donated gains as referred to in notes 1.14 and 2.

### Research and related contracts and grants

The performance obligation is the provision of the research and revenue is recognised over the life of the contract at the contracted price.

### Grants from the United Kingdom government, Grants from the European Union



These are outside the scope of IFRS 15 and are accounted for under IAS 20, as adapted for the public sector as detailed in the Government Financial Reporting Manual.

### Other operating income

This covers a variety of non-standard income streams including contributions from the NHS for marketing campaigns at an agreed price (for which the performance obligation is the provision of the campaign with revenue recognised as the campaign is launched) and the contractual service charge for Porton Biopharma Ltd (for which the performance obligation is the provision of corporate services; revenue is recognised over the life of the contract).

Rental from investment property, interest receivable and income from dividends are outside the scope of IFRS 15 and are accounted for accordance with IFRS 9.

## 1.9 Non-current assets: property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes

- it is probable that future economic benefits will flow to, or service potential will be supplied to, UKHSA
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000 or
- collectively, a number of items have a total cost of at least £5,000 where the items are purchased together and will be used for the same common operational purpose and not distributed to various operational or geographical activities and each item is assessed as having a similar useful life so that they are all likely to have simultaneous disposal dates and are under single managerial control

Where an asset includes several components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

### Valuation of property, plant and equipment

All property, plant and equipment is measured initially at cost representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. It is classified

under assets under construction, until the point at which the asset is capable of being brought into use. All assets are measured subsequently at fair value.

The fair value of freehold land and buildings is determined by an independent valuation carried out every five years in accordance with guidance issued by the Royal Institute of Chartered Surveyors with an interim desktop valuation performed in year 3. Valuation is on an open market (existing use) basis except for buildings of a specialised nature, where a market value is not readily obtainable, which are valued on a depreciated replacement cost in existing use basis. A valuation was last undertaken on 31 March 2021 by RICS Registered Valuers from the Valuation Office Agency.

Other property, plant and equipment are valued at depreciated replacement cost in existing use, which is used as a proxy for fair value. The depreciated replacement cost in existing use is calculated by applying, annually, the producer price indices published by the Office for National Statistics (ONS). Management consider that these are the most appropriate indices for this purpose.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is only recognised as an impairment charged to the revaluation reserve when it does not result from a loss in the economic value or service potential and only to the extent that there is a balance on the reserve for the asset. Any excess over that reserve balance is charged to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported in the statement of changes in taxpayers' equity.

### Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to expenditure.

### Assets under construction

Assets in the course of construction are carried at cost, less any impairment loss. Cost includes professional fees. They are reclassified when they

are capable of being brought into use, and their cost is depreciated and revalued in the same way as other assets within their new classification.

### Stockpiled goods

Strategic goods held for use in national emergencies (stockpiled goods) are held as non-current assets within property, plant and equipment. Stockpiled goods are depreciated in line with their useful economic lives. The purchase of stockpiled goods has parliamentary approval and is, as a result of government policy, to hold an emergency stockpile for an event which is hoped will not transpire.

Stockpiled goods are reviewed during the period in terms of expiry profiles and their continued appropriateness for inclusion in the stockpile. Stockpiled goods have been depreciated over their expected lives.

## 1.10 Non-current assets – Investment Property

Investment property assets are valued on the same basis as property, plant and equipment assets, i.e. they are initially measured at cost and subsequently at depreciated replacement cost in existing use being used as a proxy for fair value. Movements in

fair value are recognised as a profit or loss in the Statement of Comprehensive Net Expenditure.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property. The investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

### **1.11 Research and development**

Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Development expenditure is capitalised to the extent that it results in the creation of an asset and only if, all the following have been demonstrated from the date when the criteria for recognition are initially met:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential

- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to reliably measure the expenditure attributable to the intangible asset during its development. The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred

Where no internally generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

## **1.12 Depreciation, amortisation and impairments**

Freehold land, assets under construction or development, stockpiled goods, investment property and assets held for sale are not depreciated / amortised.

Otherwise, depreciation or amortisation, as appropriate, is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight-line basis over their estimated remaining useful lives.

The estimated useful life of an asset is determined on an individual asset basis by the period over

which UKHSA expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year-end, with the effect of any changes recognised on a prospective basis.

Expected useful lives are as follows:

<b>Asset category</b>	<b>Expected useful life</b>
Freehold buildings	Up to 80 years
Freehold land	Not depreciated
Leasehold land	Over the lease term
Fixtures and fittings	Up to 20 years
Plant and equipment	5 to 20 years
Vehicles	7 years
Information technology equipment	3 to 5 years
Software licences	The life of the licence or 3 years
Website	Up to 3 years
Assets under construction	Not depreciated
Stockpiled goods	Based on the expiry date of the product, or later if there is sufficient evidence of the product still being effective at this date.

At each financial year-end, UKHSA determines whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is an indication of such an impairment, the recoverable amount of the asset is estimated to



determine whether there has been a loss and, if so, its amount.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset being impaired and, thereafter, to expenditure.

### **1.13 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.

Lease premiums paid for leasehold property are shown as financial assets (leasehold premium prepayments) in the statement of financial position. The prepayments are released annually to operating expenditure over the life of the relevant leases on a straight-line basis.

UKHSA has not entered into any finance leases.

### **1.14 Inventories**

Consumable inventories are valued at the lower of cost and net realisable value on a first in, first out

basis. None of UKHSA inventory is impaired to cost.

COVID-19 vaccines are donated from the Department for Business, Energy & Industrial Strategy (BEIS) via DHSC and are held at the agreed 'transfer cost' as recognised by DHSC and UKHSA; this includes VAT and any other costs in bringing the inventory to its current state. The costs recognised by UKHSA were aligned to those recognised by DHSC during a Month 12 reconciliation exercise. The stocks are issued on a first expired, first out (FEFO) basis. Inventory acquisitions are offset by a SoCNE non-cash gain on donation.

The consumption of COVID-19 vaccines is recognised as and when the vaccines leave UKHSA's warehouse on the basis that there is an agency relationship between UKHSA and the NHS providers. As such UKHSA continues to recognise the vaccines until they are used.

Supportive Medicines, Pandemic Influenza Preparedness Programme (PIPP) stocks bought for use and treatment medicines are held at the lower of cost and net realisable value. The stocks are issued on a FEFO basis.

Test and Trace inventories have been valued per the application of IAS 2. Given the extent of inventory procured that is able to be identified as

ordinarily interchangeable i.e. similar items with a similar use such that a product can be reasonably substituted for another, UKHSA has employed the weighted average cost (WAC) basis for deriving the cost of its inventory. A WAC was calculated each month for each functionally interchangeable stock (FIS) category. In determining the appropriate net realisable value, market values were identified for each FIS category. The purpose of holding the inventory was also considered per the requirements of IAS 2. Exercises such as identifying damaged stock, stock that is not suitable, excess stock or stock close to expiry, have all impacted on the level of impairment of inventory detailed in Note 9.

### **1.15 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. UKHSA does not hold cash equivalents.

Cash and bank balances are recorded at current values. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'interest receivable' and 'interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

## 1.16 Financial Instruments

Within its accounts, UKHSA recognises an equity investment held by The Secretary of State for Health and Social Care in Porton Biopharma Ltd (PBL). HM Treasury has not designated PBL for consolidation as The Office for National Statistics has classified PBL as a Public Non-Financial Corporation; a classification which places it outside central government, and therefore outside the consolidation boundary. As a result, UKHSA is required to account for its 62% interest in PBL as an investment under IFRS 9 rather than consolidating it as a subsidiary. An independent professional valuation of UKHSA's investment on PBL was completed on 31 March 2022. More information on the valuation is available in note 11 of these financial statements.

UKHSA has made the irrevocable election to measure its investments and loans receivable at fair value through other comprehensive income. This means that changes in fair value will not pass through income and expenditure. The election was made as UKHSA does not hold its equity investment in PBL for the purpose of selling it in the near term and, as such, changes in fair value are not taken into account when measuring UKHSA's operational performance.

## 1.17 Accounting standards that have been issued but have not yet been adopted

HM Treasury does not require the following Standards and Interpretations to be applied in 2020/21.

### IFRS 16 Leases

IFRS 16 becomes effective for accounting periods commencing on or after 1 January 2019. HM Treasury has deferred the introduction of this standard for the public sector until 1 April 2022. The new standard supersedes IAS 17. A single model for lessees will be required, changing the accounting for operating leases. Related lease assets and liabilities will, therefore, be presented in the Statement of Financial Position and the presentation and timing of income and expense recognition in the Statement of Comprehensive Net Expenditure will change. UKHSA's operating lease commitments are shown in note 16. IFRS 16 requires these to be recognised in the Statement of Financial Position as right of use assets with associated lease liabilities. Lessor accounting in respect of UKHSA's investment property remains largely unchanged under the new standard.

Included within these accounts are assets held under an operating lease that are required to be recognised as Property, Plant and Equipment of UKHSA as at 1 April 2022. These assets have

a cost value of £70,156,157 and, if capitalised upon inception, have depreciation charges of £18,272,736 resulting in a net book value as at 31 March 2022 of £51,883,422. Liabilities of the outstanding lease values of £53,870,742 will also be recognised on the Statement of Financial Position.

The following future standard has no impact on UKHSA:

IFRS 17 Insurance Contracts Application

### **1.18 Significant accounting policies and material judgements**

Estimates and the underlying assumptions are reviewed on a regular basis by UKHSA's senior management. Provisions and accruals have been included considering all relevant facts as they are known.

#### **Valuation of Porton Biopharma Limited**

PBL has been valued using an enhanced discounted cashflow (DCF) valuation as at 31 March 2022. Future cashflows of PBL are uncertain and as such a standard discounted cashflow may give rise to an inflated valuation. UKHSA considers this to be the most appropriate valuation methodology to be applied at this time in producing true and fair accounts.

## Valuation of land and buildings

The fair value of freehold land and buildings is determined by an independent valuation carried out every five years in accordance with guidance issued by the Royal Institute of Chartered Surveyors with an interim desktop valuation performed in year 3. Valuation is on an open market (existing use) basis except for buildings of a specialised nature, where a market value is not readily obtainable, which are valued on a depreciated replacement cost in existing use basis. A valuation was last undertaken on 31 March 2021 by RICS Registered Valuers from the Valuation Office Agency.

## 2 Statement of operating cost by operating segment

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UKHSA's income/expenditure is derived / incurred from three distinct sources, which are primarily and substantially related to its remit related to the improvement of public health and reduction of preventable deaths. These are:

- a) Operational activities as funded through parliamentary supply
- b) COVID-19 related activities (including vaccines)
- c) Vaccines and emergency countermeasures (excluding COVID-19 vaccines)

UKHSA reports against these three distinct reporting segments as defined within the scope of IFRS 8 (Segmental Reporting) under paragraph 12 (aggregation criteria). UKHSA management consider that all operational activities are inter-related and contiguous, and fall within the objectives of improving public health and reducing preventable deaths.



2021/22

	<b>Operational activities</b>	<b>COVID-19 inc. vaccines</b>	<b>Vaccine and Emergency Counter-measures</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	65,957	1,500,457	(1,424,350)	142,064
Gross expenditure	(131,702)	(8,871,702)	(104,738)	(9,108,142)
<b>Net operating cost</b>	<b>(65,745)</b>	<b>(7,371,245)</b>	<b>(1,529,087)</b>	<b>(8,996,078)</b>
Loss on transfer by absorption	(1,072,124)	-	-	(1,072,124)
Donated COVID Vaccine	-	(1,428,531)	-	(1,428,531)
<b>Total net expenditure per statement of comprehensive net expenditure</b>	<b>1,006,379</b>	<b>(5,942,714)</b>	<b>(1,529,087)</b>	<b>(6,465,423)</b>

## Description of segments

### Operational activities

Operational activities are undertaken by UKHSA and are funded through parliamentary supply.

### COVID-19 Vaccines

#### Vaccine programmes

The vaccine programme represents the costs of maintaining stockpiled goods held for use in national emergencies.

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### 3 Staff costs

2021/22

	Permanently employed staff £000	Other staff £000	Total £000
Wages and salaries	143,377	224,106	367,483
Social security costs	14,771	-	14,771
Apprenticeship Levy	689	-	689
Other pension costs	36,673	-	36,673
<b>Subtotal</b>	<b>195,510</b>	<b>224,106</b>	<b>419,616</b>
Redundancy and other department costs	13	-	13
Less recoveries in respect of outward secondments	(811)	-	(811)
Less recoveries in respect of staff engaged on capital projects	(2,463)	-	(2,463)
<b>Total net costs</b>	<b>192,249</b>	<b>224,106</b>	<b>416,355</b>

Please also see page 158 of the Remuneration and staff report.

Other staff comprises of staff engaged on the objectives of UKHSA (for example, agency/ temporary staff, locally engaged staff overseas and inward secondments) where UKHSA is paying the whole or the majority of their costs.

## 4 Other expenditure

	<b>2021/22</b>
<b>Purchase of goods and services</b>	
Accommodation	179,032
Education, training and conferences	2,657
Supply of COVID-19 vaccines	1,248,745
Insurance	55
Inventories written down	441,479
Other inventories consumed	306,569
Laboratory consumables and services	3,567,578
Legal fees, settlements and claimant costs	89,917
Rentals under operating leases	10,436
Research & Development	1,079
Supplies and services:	
Advertising	162,952
Consultancy and professional fees	157,647
Other supplies and services	42,354
Outsourced services	377,144
Postage and courier	251,057
Recruitment and welfare	2,321
Services re COVID testing	94,937
Software	73,040
Storage and distribution services	111,447
Sub-contracted facilities management and sub-contracted services	1,160,776
Travel and subsistence	739
Non cash items:	
Auditor remuneration	401
<b>Total purchase of goods and services</b>	<b>8,282,362</b>
<b>Other operating expenditure</b>	
Bank charges	22
Foreign exchange (gains) / losses	(13)
Grants	289,389
Capital grants	4,314
(Profit) / loss on de-recognition of property, plant and equipment and intangible assets	60
<b>Total other operating expenditure</b>	<b>293,772</b>
<b>Depreciation and impairment charges</b>	
Non cash items:	
(Release) / charge of provision for impairments	21,633

	<b>2021/22</b>
Depreciation	62,491
Amortisation	1,846
Impairment	7,871
<b>Total depreciation and impairment charges</b>	<b>93,841</b>
<b>Provision expense</b>	
Provision provided for / (released) in year	21,812
<b>Total provision expenses</b>	<b>21,812</b>
<b>Total</b>	<b>8,691,787</b>

Of this expenditure, £87,521,000 is admin expenditure and £8,832,646,000 is programme expenditure.

During the year, UKHSA purchased no non-audit services from its auditor, the National Audit Office (NAO).

Significant expenditure items include:

### Public Health Grants

Public health grants are ring-fenced grants to local authorities (upper tier and unitary local authorities) in England, intended to enable relevant local authorities to discharge their new public health responsibilities. If there are any funds left over at the end of the financial year, local authorities can carry these over into the next financial year as part of a public health reserve. All the conditions that

apply to the use of the grant will continue to apply to any funds carried over.

### Supplies and services

Supplies and services includes all expenditure on a number of items including recruitment, office consumables, professional fees, subcontracted and outsourced services, social marketing, information technology and software.

### Inventories consumed

Inventories consumed comprise usage of vaccines and countermeasures.

### Auditor remuneration

The audit fees reflect the notional cost of the National Audit Office's fees for undertaking the audit of the statutory accounts.

## 5 Income

	2021/22 £000		
	Administration	Programme	Total
<b>Operating income</b>			
<b>Sale of goods and services</b>			
Laboratory and other services	2,491	38,746	41,237
Products and royalties	8	24,222	24,230
Education and training	81	878	959
Vaccines income	-	56,525	56,525
<b>Total sale of goods and services</b>	<b>2,580</b>	<b>120,371</b>	<b>122,951</b>

<b>Other operating income</b>			
Research and related contracts and grants	130	6,413	6,543
Grants from the United Kingdom government	-	2,280	2,280
Grants from the European Union	10	739	749
Rental from investment property	-	212	212
Other operating income	3,459	5,598	9,057
Absorption gain	-	-	-
<b>Total other operating income</b>	<b>3,599</b>	<b>15,242</b>	<b>18,841</b>

<b>Finance income</b>			
Interest receivable	-	272	272
<b>Total finance income</b>	<b>-</b>	<b>272</b>	<b>272</b>
<b>Income Total</b>	<b>6,179</b>	<b>135,885</b>	<b>142,064</b>

## 6 Absorption

Assets and (liabilities) were transferred from Public Health England and the Department of Health and Social Care in the period as follows:

	<b>PHE</b>	<b>DHSC</b>	<b>Total</b>
Non-current assets	782,769	145,674	<b>928,103</b>
Intangible assets	24,158	2,945	<b>27,103</b>
Investment property	15,491	-	<b>15,491</b>
Investments	77,189	-	<b>77,189</b>
Trade and other receivables	99,607	111,404	<b>211,011</b>
Trade and other payables	(198,542)	(1,515,273)	<b>(1,713,815)</b>
Inventory	776,146	794,123	<b>1,570,269</b>
Provisions	(17,484)	(63,237)	<b>(80,721)</b>
Cash	37,155	-	<b>37,155</b>
<b>Total</b>	<b>1,596,489</b>	<b>(524,364)</b>	<b>1,072,125</b>

## 7 Property, plant and equipment

	Land £000	Buildings (excluding dwellings) £000	Fixtures and fittings £000	Plant and Equipment £000	Information technology £000	Stockpiled Goods £000	Assets under construction (AUC) £000	Total
<b>Cost</b>								
At 1 April 2021	-	-	-	-	-	-	-	-
Transfer by absorption	48,850	155,364	2,846	113,498	37,073	384,035	430,071	<b>1,171,737</b>
Reclassification of assets	-	-	-	-	-	16	-	<b>16</b>
Transfer to inventory	-	-	-	-	-	(33)	-	<b>(33)</b>
Impairment	-	-	-	-	-	-	(7,871)	<b>(7,871)</b>
Additions	-	295	83	4,317	336	941	80,913	<b>86,885</b>
Revaluations	-	-	26	1,217	-	-	-	<b>1,243</b>
Disposal	-	(394)	(33)	(10,280)	(335)	(23,800)	-	<b>(34,842)</b>
<b>At 31 March 2022</b>	<b>48,850</b>	<b>155,265</b>	<b>2,922</b>	<b>108,752</b>	<b>37,074</b>	<b>361,159</b>	<b>503,113</b>	<b>1,217,135</b>

<b>Depreciation</b>								
At 1 April 2021								
Charge for year	-	9,491	121	5,674	1,863	45,342	-	<b>62,491</b>
Revaluations	-	-	17	646	-	-	-	<b>663</b>
Transfer by absorption	-	18,814	2,010	57,853	28,450	130,411	-	<b>237,538</b>
Disposal	-	(394)	(11)	(40)	-	(23,800)	-	<b>(24,245)</b>
<b>At 31 March 2022</b>	<b>-</b>	<b>27,911</b>	<b>2,137</b>	<b>64,133</b>	<b>30,313</b>	<b>151,953</b>	<b>-</b>	<b>276,447</b>

<b>Carrying value</b>								
<b>At 31 March 2022</b>	<b>48,850</b>	<b>127,354</b>	<b>785</b>	<b>44,619</b>	<b>6,761</b>	<b>209,206</b>	<b>503,113</b>	<b>940,688</b>

All assets were owned by UKHSA and no finance leases were held.



## 8 Intangible assets

	<b>Software and software licences £000</b>	<b>Website £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 April 2021				
Transfers under absorption accounting PHE	28,795	2,572	16,762	48,129
Transfers under absorption accounting DHSC	2,944	-	2,942	5,886
Additions	11,124	-	211	11,335
Reclassification of assets	1,579	-	-	1,579
Transfer from AUC	302	-	(302)	-
Disposal	(430)	-	-	(430)
<b>At 31 March 2022</b>	<b>44,314</b>	<b>2,572</b>	<b>19,613</b>	<b>66,499</b>
<b>Amortisation</b>				
At 1 April 2021				
Transfer under absorption accounting	30,351	2,316	-	32,667
Charge for year	1,786	60	-	1,846
<b>At 31 March 2022</b>	<b>32,137</b>	<b>2,376</b>	<b>-</b>	<b>34,513</b>
<b>Carrying value at 31 March 2022</b>	<b>12,177</b>	<b>196</b>	<b>19,613</b>	<b>31,986</b>

## 9 Financial instruments

	<b>31 March 2022 £000s</b>
<b>Financial assets</b>	
Measured at fair value through other comprehensive income	18,350
Of which equity instruments designated as such upon initial recognition	18,350
Measured at amortised cost	531,034
	<b>531,384</b>
<b>Financial liabilities</b>	
Measured at amortised cost	2,101,467
	<b>2,101,467</b>

Due to the largely non-trading nature of its activities, and the way in which it is financed, UKHSA is not exposed to the degree of financial risk faced by most other business entities. UKHSA has no authority to borrow or to invest without the prior approval of the Department of Health and Social Care and HM Treasury. Financial instruments held by UKHSA comprise mainly assets and liabilities generated by day-to-day operational activities and its investment in Porton Biopharma Ltd (see note 13) and are not held to change the risks facing UKHSA in undertaking its activities.

### Market risk

UKHSA recognises its investment in Porton Biopharma Ltd as a financial asset held at fair value through other comprehensive income. There

is a risk that the fair value of Porton Biopharma Ltd will fluctuate because of changes in market process for its flagship product. The sensitivity analysis included in note 14 of the sensitivity of the fair value of UKHSA's investment to changes in revenue earned on the sales of this product. As UKHSA has made the irrevocable election to measure its investment at fair value through other comprehensive income, these changes would only impact on UKHSA's reserves.

### Foreign currency risk

UKHSA operates foreign currency bank accounts to handle transactions denominated in Euro (€) and US Dollar (\$). This helps to manage potential exposure to exchange rate fluctuations. The fair value of cash is the same as the book value as at the statement of financial position date.

The fair value of cash is the same as the book value as at the statement of financial position date. During the period to 31 March 2022 UKHSA received Euro income equivalent to £1,121,000 and US Dollar income equivalent to £3,047,000 upon which there was some currency risk.

The only other currency risk is that of a Euro currency bank balance valued at £1,229,000 and a US Dollar bank balance valued at £1,133,000.

## 10 Impairments

	Charged to statement of comprehensive net expenditure £000	Charged to revaluation reserve £000	2021/22 Total £000
Property, plant and equipment	7,871	-	7,871
Lateral flow tests	(25,000)	-	(25,000)
Other Test and Trace COVID-19 inventory	172,773	-	172,773
COVID vaccine inventory	221,221	-	221,221
Other inventory	83,192	-	83,192
Intangible assets	-	-	-
Investment Property	-	-	-
Revaluation reserve	-	-	-
<b>Total</b>	<b>460,057</b>	<b>-</b>	<b>460,057</b>

UKHSA has, as at the year-end, considered the inventory it holds and whether there are any indications of impairment. Impairments are an estimated accounting adjustment that attempt to fairly represent the value of assets held at a point in time. Impairments are not the same as permanent write-offs or write-downs given it is possible for impairments to be reversed in future years.

During the height of the Government response to the COVID-19 pandemic NHS Test and Trace procured lateral flow tests following their development at high volume. At this time there was significant international competition for such

devices and as such market forces led to the cost being high. This reduction in the price of LFTs has led to a significant impairment of £171m.

A volume of LFTs were transferred from DHSC at a fully impaired value of £nil and have since been consumed. As such there has been a reversal of this impairment of £155m.

Since the response to the COVID-19 pandemic it has been essential that sufficient stocks of tests and testing kit materials be retained should demand for the tests increase. For the purpose of producing the accounts, UKHSA has to make a point in time assessment of whether it considers that it is holding inventory in excess of that which is likely to be used. In such cases where this is judged to be the case, any excess inventory held is impaired to £nil. This assessment has led to an impairment of £134m for test and trace inventory.

COVID vaccine impairments are split as follows: £129m for Pfizer vaccines (all variants), £65m for Moderna vaccines and £1m for AstraZeneca vaccines. The vast majority of the impairment relating to these vaccines is driven by a point in time assessment of likely excess stock.

## 11 Inventories

	Other vaccines £000	COVID vaccines £000	Test and trace consumables £000	Other consumables £000	Total £000
Balance at 1 October 2021	-	-	-	-	-
Transfer by absorption	470,245	296,393	794,123	9,608	1,570,269
Additions	372,297	1,428,534	3,019,991	9,406	4,830,228
Transferred to / (from) stockpiled goods	33	-	-	-	33
Consumed/Disposed of	(291,471)	(1,239,599)	(3,305,222)	(9,567)	(4845,859)
Written Down	(83,192)	(221,221)	(147,773)	-	(452,186)
Other	-	-	-	(2)	(2)
<b>Balance at 31 March 2022</b>	<b>467,812</b>	<b>264,107</b>	<b>361,119</b>	<b>9,445</b>	<b>1,102,483</b>

The COVID-19 vaccines additions of £1.43bn was donated by the Department of Health and Social Care to UKHSA.

## 12 Trade receivables and other assets

	2021/22 £000
<b>Amounts falling due within one year</b>	
Accrued income	41,748
Contract receivables	48,598
Other receivables	84,884
Prepayments	27,939
Taxation	122,206
	<b>325,375</b>
<b>Amounts falling due after more than one year</b>	
Accrued income	-
Leasehold premium prepayment	18
	<b>18</b>

## 13 Investment in Porton Biopharma Limited

	2021/22 £000
<b>Equity investment in Porton Biopharma Ltd measured at fair value through other comprehensive income</b>	
Opening balance as at 1 October 2021	70,400
Purchase of shares	2,000
Revaluation gain/ (loss)	(54,050)
<b>Closing balance as at 31 March 2022</b>	<b>18,350</b>

On 1 April 2015, the Secretary of State for Health and Social Care acquired a 100% shareholding in Porton Biopharma Limited. The initial investment was agreed as £20 million of equity shares and a £10.2 million debt, repayable over 5 years at an interest rate of 4% with capital repayments

deferred for 2 years. Since 2015, the Secretary of State has invested a further £125.7m in Porton Biopharma Ltd Shares. The loan was fully repaid in the period to 31 March 2022.

UKHSA measures its equity investment in Porton Biopharma Limited at fair value, using a professional external valuer. The valuer reported a range estimate for its valuation of Porton Biopharma Limited using a discounted cashflow. The range is material to these financial statements. UKHSA adopted the mid-point of this valuation range and decreased the fair value of its investment accordingly.

## 14 Cash and cash equivalents

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	2021/22 £000
Balance at 1 October 2021	-
Net change in cash and cash equivalents	215,598
<b>Balance at 31 March</b>	<b>215,598</b>

The following balances at 31 March 2022 were held at:	
Government Banking Service	215,596
Cash in hand	2
<b>Balance at 31 March</b>	<b>215,598</b>

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## 15 Trade payables and other current liabilities

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	<b>2021/22 £000</b>
Amounts falling due within one year	
Accruals	1,945,680
Deferred income	44,201
Other payables	4,557
Other taxation and social security	24
Trade payables	154,500
	<b>2,148,962</b>

£1.63bn accruals relate to test and trace expenditure and £214m relates to Goods Received Not Invoiced.

## 16 Provisions

	Other provisions £000	Dilapidations and decommissions provision £000	Contractual entitlement claims £000	Total £000
Balance at 1 October 2021				
Transferred under modified absorption accounting (note 1.30)	1,601	64,054	15,066	<b>80,721</b>
Provided in the year	-	87,003	80	<b>87,083</b>
Provisions not required written back	(4)	(12,330)	(2,000)	<b>(14,334)</b>
Provisions utilised in the year	(34)	(38,471)	-	<b>(38,505)</b>
<b>Balance at 31 March 2022</b>	<b>1,563</b>	<b>100,256</b>	<b>13,146</b>	<b>114,965</b>
<b>Analysis of timing of discounted cashflows</b>				
<b>Current</b>				
Not later than one year	879	84,373	13,031	<b>98,283</b>
<b>Total</b>	<b>879</b>	<b>84,373</b>	<b>13,031</b>	<b>98,283</b>
<b>Non Current</b>				
Later than one year and not later than five years	414	15,580	48	<b>16,042</b>
Later than five years	270	303	67	<b>640</b>
<b>Total</b>	<b>684</b>	<b>15,883</b>	<b>115</b>	<b>16,682</b>
<b>Balance at 31 March 2022</b>	<b>1,563</b>	<b>100,256</b>	<b>13,146</b>	<b>114,965</b>

### Other provisions

Included within these provisions are:

Future costs of early retirement: these relate to an early retirement scheme inherited from the Health Protection Agency for past members of the UKAEA Combined Pension Scheme.

High activity sealed radiation sources: for the estimated costs of UKHSA's liabilities for the disposal of radioactive sources falling within the

scope of the High Activity Sealed Radioactive Sources and Orphan Sources Regulations 2005.

Underpaid clinical excellence awards: for the local Clinical /excellence Award between 2018 and 2020 which had been incorrectly calculated.

### Dilapidation and decommissioning costs

This provision is for the estimated costs of making good dilapidations on various properties leased by UKHSA, when these properties are returned to the lessors on the termination of the leases, along with potential costs for capital works.

These provisions also include a balance of £15m for dilapidations for the Rosalind Franklin Laboratory leased building, £2m dilapidations for UKHSA's regional testing site and the local testing sites, and decommissioning costs totalling £67m for the closure of various other laboratories.

### Contractual entitlements

This is a provision of in respect of several claims by employees regarding the transfer of pension rights into the Civil Service pension scheme for a number of staff transferring from sender functions for which the Government Actuary's Department is currently finalising an estimate.

There are three elements:

- £12m relates to the actuarial shortfall in the UKAEA scheme that relates to retired staff from one of UKHSA's predecessor bodies. The liability was inherited by UKHSA on its creation in 2021.
- £0.4m relates to an actuarial shortfall in respect of staff transferred out to a commercial pension scheme through an outsourcing arrangement, inherited by UKHSA from one of its predecessor bodies.
- £0.7m relates to Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold.

## 17 Commitments under leases

	2021/22
<b>Land and buildings leases:</b>	
Not later than 1 year	14,823
Later than 1 year and not later than 5 years	22,989
Later than 5 years	3,614
	<b>41,425</b>
<b>Other leases:</b>	
Not later than 1 year	118
Later than 1 year and not later than 5 years	36
Later than 5 years	-
	<b>154</b>
Total	<b>41,579</b>

Building leases comprise accommodation leases within NHS bodies for UKHSA laboratories and office accommodation leased from the Department of Health, other government bodies and NHS trusts.

Other leases include leases with commercial suppliers for laboratory equipment leased for use in UKHSA laboratories, photocopiers for use in UKHSA offices and vehicles leased for use by UKHSA staff.

## 18 Financial and capital commitments

UKHSA has entered into non-cancellable contracts (which are not leases or PFI contracts); the payments to which UKHSA is committed are as follows.

	<b>31 March 2022 £000</b>
Not later than one year	364,141
Later than one year and not later than five years	282,161
Later than five years	2,363
<b>Total value of obligations</b>	<b>648,665</b>

The majority of these commitments relate to the purchase, storage and distribution of stockpiled goods. Contracts are typically arranged for more than 1 year.

## Capital commitments

	£000
<b>Contracted capital commitments at 31 March not otherwise included in these accounts</b>	
Property, plant and equipment	34,267
Intangible assets	9,459
	<b>43,726</b>

These commitments relate to contractual amounts payable on capital projects

## 19 Related party transactions

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UKHSA is an executive agency of the Department of Health and Social Care, which is regarded as a related party. During the year, UKHSA has had various material transactions with DHSC itself and with other entities for which DHSC is regarded as the parent entity. These include NHS bodies including NHS Resolution, the NHS Business Services Authority, NHS England, Clinical Commissioning Groups, Commissioning Support Units, NHS Trusts and NHS Foundation Trusts.

In addition, UKHSA has had transactions with other government departments and central government bodies. These include the Home Office, the Ministry of Defence, Food Standards Agency, Department for Environment, Food and Rural Affairs, Medical Research Council and all upper tier local authorities

in England in respect of the ring-fenced public health grant.

During the year ended 31 March 2019, no Advisory Board member, member of senior management or other party related to them has undertaken any material transactions with UKHSA except for those shown in the table below.

Further information on compensation paid to management can be found in the Remuneration report.

Related party	1. Name of the UKHSA Board Member or senior manager 2. UKHSA Appointment 3. Related Party Appointment	Value of goods and services provided to related party £,000	Value of goods and services purchased from related party £,000	Amounts owed to related party £,000	Amounts due from related party £,000
Porton Biopharma Limited	1. Richard Gleave 2. Chief Operating Officer 3. Non Executive Board Member  1. Donald Shepherd 2. Finance and Commercial Director (from September 2019) 3. Non Executive Board Member (from November 2019)  1. Michael Brodie 2. Finance and Commercial Director (until August 2019) 3. Non Executive Board Member (until August 2019)	18,143	4,083	-	12,034



## 20 Events after the reporting period date

PHE was disbanded and subsequently abolished as at 1 October 2021 and all of the functions have been transferred out. This is additionally referred to in note 1.4.

The Accounting Officer authorised these financial statements on the date they were certified by the C&AG

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