

**Human Tissue Authority
Annual Report and Accounts 2015/16**

**Presented to Parliament pursuant to Schedule 2(16)
of the Human Tissue Act 2004**

Ordered by the House of Commons to be printed 4 July 2016

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PERFORMANCE REPORT

Overview

2015/16 was another good year for the HTA. We continue to be recognised as an effective, expert regulator of around 850 premises where human tissue is stored and used. We seek to continuously improve and streamline our processes, reducing the regulatory burden and maintaining efficiency. There are around 45 staff working at the HTA and our annual expenditure is around £4.1m. We manage our finances to ensure licence fees are set to bring in the income we need to spend on regulating. We keep abreast of scientific developments and adopt a proportionate approach to regulation.

Purpose and activities of the HTA

The HTA has a number of statutory functions in England, Wales and Northern Ireland. We inform the public, professionals and the Secretary of State for Health, the Welsh Government and the Northern Ireland Executive about issues within our remit. We meet this requirement for professionals by providing guidance, including Codes of Practice, and for the public by providing information to help them make informed decisions.

We license organisations that store and use tissue for purposes such as research, human application, organ transplantation, post-mortem examination, teaching, and public exhibitions. We license approximately 850 premises and currently publish Standards that they must meet on: consent; governance and quality systems (including traceability); premises, facilities and equipment; and disposal. We also inspect organisations to check that they maintain high standards and follow appropriate procedures.

As well as licensing under the HT Act, the HTA is the Competent Authority in the UK responsible for ensuring the quality and safety of human tissue and cells used for patient treatment, in compliance with the European Union Tissue and Cells Directives (EUTCDs). We are also the UK's Competent Authority for the European Union Organ Donation Directive (EUODD), ensuring the quality and safety of organs intended for transplantation.

The HTA also regulates, through an independent assessment process, the donation of solid organs from living people, ensuring that valid consent has been given and that no reward is sought or offered. We fulfil a similar role for living donation of bone marrow and peripheral blood stem cells from children and adults who lack the capacity to consent. The HTA regulates living donation, in compliance with Scottish legislation, on behalf of the Scottish Government.

The Authority – the HTA's non-executive board – is made up of a Chair and eleven Members: nine appointed by the Secretary of State for Health; one appointed by the Welsh Minister; and one by the Minister in Northern Ireland. The Authority combines both lay and professional Members and includes a transplant surgeon, an organ donor and a transplant recipient as well as members with research, commercial and legal backgrounds.

Its primary role is to ensure that the HTA's statutory responsibilities are met. It achieves this by setting the HTA's strategic direction and providing both support and challenge to an Executive which is responsible for the discharge of these responsibilities on a day-to-day basis.

For 2015/16 our strategic aims were:

- To protect the public's interests by delivering excellent regulation;
- To maintain strong relationships with stakeholder organisations and the interested public to improve the quality of our work;
- To have a skilled and motivated team who are proud to work at the HTA and are committed to achieving our objectives;
- To seek continuous improvement in the way we run the HTA and our value for money for licence holders and the public.

Our objectives for 2015/16 were:

- To deliver right-touch regulation and high quality advice and guidance, targeting our resources where there is most likelihood of non-compliance and greatest risk to the public
- To be transparent in our decision making and regulatory action, supporting those licence holders who are committed to achieving high quality and dealing firmly and fairly with those who do not comply with our standards
- To deliver robust regulation of living donation
- To monitor changes in our environment and act where these changes have implications for maintaining public confidence
- To maintain and build confidence and awareness in our work amongst professionals and the interested public
- To work collaboratively with others to reduce regulatory burdens and increase the impact of our work
- To engage with stakeholders on matters that are important to them and influence them in matters that are important to us
- To develop means to ensure the views of the interested public inform our regulatory approach
- To maintain the HTA's positive working environment and culture, and uphold the values of the organisation
- To lead, motivate, involve and support colleagues to deliver excellent work
- To attract and retain the right people with the right skills
- To improve expertise and support delivery through high quality learning and development
- To maintain governance arrangements which give appropriate oversight to matters within the HTA's legislative remit
- To maintain high quality management skills and practices
- To maintain and improve cost-effectiveness and quality by systematically reviewing systems, processes and procedures, and by working with others
- To ensure the continued financial viability of the HTA

Key issues in 2015/16

The HTA is a small organisation and relies on our expert workforce to deliver our objectives. While staff report that the HTA is a worthwhile and positive place to work, we experience relatively high turnover rates, mainly as a result of our small size and flat structure, which provide limited opportunities for internal career progression. In addition, and in common with other bodies in the public sector, pay constraints mean that staff must

move on if they wish to significantly increase their earnings. We have a good response to recruitment of new staff and effective training in place.

The legislation that sets out our role is now over ten years old and has been overtaken in some areas by scientific development. We take a pragmatic approach, discussing issues with the legislation with the Department of Health (DH). In areas outside our legal remit we advise where appropriate and share good practice.

We have reviewed and revised our Codes of Practice during 2015/16, to reflect our experience and good practice. We expect that these will be published, with new Standards, during 2016/17.

Work started in 2015/16, and will continue during 2016/17, on the European Union Coding and Import Directives that are due to be implemented in 2017.

In February 2016, the HTA sub-let more of our office space to the NHS Litigation Authority (NHSLA), to reduce costs and keep licence fees as low as possible. We now work more flexibly, with the space we retain.

During 2015/16 there was a Triennial review of the HTA which reviewed the functions and form of the HTA and which will make recommendations for performance improvements that can be made. The report will be published in 2016.

Risks as at 31 March 2016

The HTA aims to take all reasonable steps in the management of risk with the overall objective of achieving strategic and business objectives and protecting staff, stakeholders, the public and assets.

Further information on the HTA's approach to managing risk can be found in the Annual Governance Statement.

As at 31 March 2016 the HTA had five strategic risks:

Risk 1: Inability to carry out our statutory remit

Mitigations

- Strategic plan and business plan are in place and are reviewed regularly
- On-going review of performance and priorities
- Specialist expertise are identified at recruitment to ensure we maintain a broad range of knowledge across all sectors and in developing areas
- Training and development of staff to enhance professional competence
- A package of staff retention measures are in place
- Business continuity plan is in place and aspects of this are tested periodically

Risk 2: Failure to meet public and professional expectations of human tissue regulation resulting from limitations in current legislation or misperception of HTA regulatory reach

Mitigations

- Active engagement of professional stakeholders through a variety of channels including advice about relevant materials in and out of scope
- Active management of issues raised by the media – including the development of the HTA position on issues
- Regular reporting to DH sponsorship team on matters which risk public and professional confidence
- Action where we believe it will support public confidence (e.g. publication of pregnancy remains guidance)
- Log of issues raised with respect to the legislation maintained to facilitate review when the opportunity arises

Risk 3: Inability to manage an incident impacting on the delivery of HTA strategic objectives

Mitigations

- Business-critical roles are identified and filled promptly when vacant
- Crisis management policy, Standard Operating Procedures (SOPs) and guidance are in place and communicated to staff
- Media handling policy and guidance is in place, including regular media training for key staff and Members, to supplement media release and enquiries SOPs
- Lines to take and key messages for likely scenarios are accessible to the staff who need them
- Police Referrals Policy is in place and judged fit for purpose
- Regulatory decision making framework is in place and judged fit for purpose

Risk 4: Insufficient financial resources

Mitigations

- Budget management framework is in place to control and review spend and take early action
- Financial projections, cash flow forecasting and monitoring
- Licence fee modelling
- Rigorous debt recovery procedure
- Reserves policy and periodic review of levels of reserves
- Prioritisation when work requirements change

Risk 5: Inadequate relationship/stakeholder management**Mitigations**

- Effective engagement with stakeholders on key regulatory issues, including through the Stakeholder Group
- On-going engagement with DH, OGDs, NDPBs and devolved administrations
- Communications and media strategies and mechanisms for implementing these are in place
- Engagement with professionals in relevant sectors supplements HTA expertise

Going concern

We consider the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the organisation to continue as a going concern.

Performance Analysis**Measuring performance**

Each year, we agree a business plan with the DH that includes strategic aims, high level objectives and key performance indicators covering delivery of our statutory remit and public accountability.

The HTA records achievement of key performance indicators monthly and reviews achievement and action needed at the HTA Management Group (HTAMG) meeting. Each quarter a report is made to the Authority and DH.

Analysis of performance over the year

We set 16 key performance indicators and over the year 13 were met. Our Strategic Performance Report sets out the details of our performance. Of the three not met, one related to very small numbers of actions delayed and the other two concern staff turnover.

- Our annual rolling attrition rate has been greater than the target of no more than 18% throughout the year and in March 2016 was 25.8%. Pay constraints and lack of progression opportunities in a small organisation are the biggest reasons for attrition and we continue to work with staff to offer non-pay benefits to help improve staff retention.
- There has been more than the maximum level of two vacancies in three months of the year, including six vacancies as at 31 March 2016.
- The target of at least 90% of Corrective and Preventative Actions to address major shortfalls identified in inspections being completed within agreed timescales was not met in six months of the year. This represents nine actions being delayed, by issues at the establishments concerned.

Financial performance

The HTA has generated the income needed to cover the cost of licensable activities and delivered within the budget set for the year.

Income and expenditure for the year ended 31 March 2016

| | 2015/16 £'000's | 2014/15 £'000's |
|---|--------------------|--------------------|
| Income¹ | | |
| Income from devolved administrations | 115 | 115 |
| Licence fee | 3,217 | 3,288 |
| Other income ² | 234 | 225 |
| Total income | 3,566 | 3,628 |
| Expenditure | | |
| Staff costs | 2,633 | 2,655 |
| General administrative costs | 1,510 | 1,494 |
| Total expenditure | 4,143 | 4,149 |
| Net expenditure for the financial year³ | 577 | 521 |

¹Income is exclusive of revenue Grant-in-Aid (£739k awarded and drawn down) which for accounting purposes is treated as financing rather than income.

²Other income in 2015/16 is rental income from NHSLA and costs of seconded staff costs recharged to the benefitting organisation.

³Net expenditure for the year therefore also reflects the position without Grant-in-aid funding. It is a requirement to report in this way in the Statement of Comprehensive Net Expenditure, from which this table is extracted

The HTA's spend in 2015/16 was £4.1m, similar to the previous year, although 6% less than the £4.4m budgeted. Less was spent on staff costs than expected, due to vacancies arising from turnover of staff.

Licence fee income of £3.2m was also similar to that received in 2014/15 and was 5.3% less than the £3.38m expected, due to an overall reduction in the number of establishments paying fees.

Taking revenue Grant-in-aid (GIA) into account, there was £161,000 less Net Expenditure than expected, because of the reduced staff costs. This overall underspend was smaller than that in 2014/15 of £281,000.

During 2015/16 the HTA managed income and expenditure so that draw downs were kept to within the DH's cash allocation. The total available cash allocation for revenue and capital expenditure was £739,000 and £165,000 respectively, (2014/15 £739,000 and £60,000).

Payment of suppliers

The HTA is committed to the Better Payment Practice Code and the commitment to speed up payments. We aim to pay suppliers within five days of receipt of a valid invoice. Over the year as a whole, 97% (2014/15 95.5%) were paid within five days, and 100% within 30 days (2014/15 100%). The average number of days for payment over the whole year was 1.2 (2014/15 1.5 days). No interest payments were made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

Staff involvement and wellbeing

The HTA keeps all members of staff informed about organisational, management and policy issues. There is a weekly briefing for all staff and all-staff meetings are held at least every two months, chaired in rotation by a member of staff. Directorate team meetings are also held regularly. Each week there is an opportunity for any member of staff to raise any issues with a member of the SMT.

The HTA staff survey, undertaken last in February 2015 and planned next in 2016/17, had participation rates of 81%, well above the Civil Service average of 60%. The HTA is committed to engaging staff and strives to maintain and build on high staff engagement and satisfaction scores from the staff survey year on year.

The HTA has a staff forum to ensure that all staff have their say and continue to have an opportunity to raise issues, make suggestions and give opinions. The chair of the staff forum is also the staff whistleblowing champion to provide a secure environment for staff to raise any concerns. An Authority member, the chair of the Audit and Risk Committee (ARAC), is a similar Freedom to speak up champion.

We involved staff in deciding on new flexible working arrangements by providing the opportunity for a staff group to determine the office layout and protocols. This way of working was a success and we will continue to offer pieces of work to staff who wish to be involved in delivering them through cross-office groups of this sort.

The HTA maintains an up-to-date health and safety policy and we set out our responsibilities in the Statement of Intent. The HTA has appointed first aiders and fire wardens and has online training modules and assessments to ensure staff are working in a safe environment that protects their health. No health and safety incidents were reported in the year.

Learning and development

The HTA actively promotes the development of staff by offering a wide range of corporate and specific training. Individual needs are set out in personal development plans and are met through appropriate means, including training events, participation in projects, observing activities the HTA oversees and shadowing.

In 2011 we launched the Career Investment Scheme, to assist staff members to obtain professional qualifications or undertake training to enhance their skills and knowledge to aid their career. In 2015/16 four members of staff benefitted from the scheme, in addition to the 13 previous beneficiaries. We also have access to the Civil Service Learning portal which provides training resources for public sector staff.

Equal opportunities and diversity

The HTA is committed to providing equal opportunities for all staff. Our aim is to ensure that all staff are aware that any form of discrimination against people, because of their race, disability, gender, gender identity, religion/belief, age, sexual orientation or any other protected characteristic is prohibited within the HTA, and to ensure that the Authority abides by the statutory regulations regarding human rights and discrimination. We monitor our performance in this area. During 2015/16, we reviewed our policy and will be providing all staff with training in 2016.

Social, community, sustainability and environmental issues

The HTA recognises the work-related benefits of staff joining together outside work for various events. We encourage a social Committee to organise informal and more formal gatherings.

During 2015/16 HTA staff have, on their own initiative, engaged in events to raise funds for charities. The HTA has supported staff in these endeavours.

The HTA occupies a quarter of one floor within multi tenanted buildings on Buckingham Palace Road. We share this space with the NHSLA. Our landlords, the Department for Business, Innovation & Skills (BIS), provide services and encourage behaviour that meets sustainability requirements. This includes recycling, energy efficiency and other facilities. HTA performance is not monitored separately.

The HTA considers environmental and sustainability issues when procuring goods and services. Staff are encouraged to travel on HTA business in the most sustainable and cost-effective way.

The HTA is a member of the Cycle to Work scheme, which provides tax efficient incentives for employees to use cycles to travel to work.



Allan Marriott-Smith
Chief Executive
Human Tissue Authority

Date: 28 June 2016

ACCOUNTABILITY

Corporate Governance Report

Directors' Report

The Authority

Details of Authority Members in 2015/16 are set out below:

| Authority member | Term |
|---------------------------------|-------------------------|
| Sharmila Nebhrajani OBE (Chair) | 01/04/2014 – 31/03/2017 |
| Brian Coulter | 05/08/2008 – 04/05/2015 |
| Catharine Seddon | 05/08/2008 – 04/05/2016 |
| Professor Susan Dilly | 01/04/2010 – 31/03/2016 |
| Suzanne McCarthy | 01/04/2010 – 31/03/2016 |
| Rosie Glazebrook | 01/04/2010 – 31/03/2016 |
| Professor Gurch Randhawa | 01/04/2010 – 31/03/2016 |
| William Horne | 01/08/2014 – 31/07/2017 |
| Professor Andy Hall | 20/10/2014 – 19/10/2017 |
| Hossam Abdalla | 20/10/2014 – 19/10/2017 |
| Amanda Gibbon | 20/10/2014 – 19/10/2017 |
| Professor Anthony Warrens | 20/10/2014 – 19/10/2017 |
| Glenn Houston | 05/05/2015 – 04/05/2018 |

Member biographies are on the HTA website <https://www.hta.gov.uk/about-us/our-people>

The Senior Management Team

| Senior Management | Post |
|---|---|
| Dr Alan Clamp (resigned 29/05/2015) | Chief Executive |
| Allan Marriott-Smith (appointed 06/07/2015) | Chief Executive |
| Sarah Bedwell | Director of Regulation |
| Allan Marriott Smith (promoted 06/07/2015) | Director of Strategy and Quality |
| Sue Gallone | Director of Resources |
| Victoria Marshment (appointed 15/02/2016) | Director of Policy, Strategy and Communications |

Sue Gallone (0.8 FTE) works 2.5 days per week at the HTA and is seconded to a similar role at the Human Fertilisation and Embryology Authority for the remaining 1.5 days (2.5 days to 31 October 2015) per week.

Interests of Authority Members and staff

The HTA maintains a Register of Interests. All Authority members and staff declare any company directorships and other significant interests held by them or their close family and friends which may conflict with their HTA responsibilities. The register can be made available on request. Members' interests are published on the HTA's website.

Pensions

Pension benefits are provided by the National Health Service (NHS) Pension Scheme. The HTA recognises the contributions payable for the year. Full details are set out in the remuneration report and note 1.10 to the accounts.

Data incidents

Arrangements for data security are set out in the Governance Statement. There were no incidents of data loss in 2015/16.

Auditors

The Comptroller and Auditor General is the external auditor for the HTA's accounts. The external auditor's remuneration in 2015/16 was £26,000. No fees were incurred for non-audit work.

Disclosure of information to HTA auditors

During the audit of these financial statements my staff and I have co-operated fully with the Comptroller and Auditor General. I have taken all feasible steps to ensure that I am fully aware of all information pertinent to the audit and to ensure that this information is notified and made available to the auditors. Consequently, as far as I am aware, there is no relevant information that has not been available to the National Audit Office's audit team.

Statement of the Authority's and Accounting Officer's responsibilities

Under the HT Act, the HTA is required to prepare annual accounts for each financial year, in conformity with a Secretary of State's direction Schedule 2 (paragraph 16), detailing the resources acquired, held or disposed of during the year and the use of resources by the HTA during the year. The Annual Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the HTA, the income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by DH, including the relevant accounting and disclosure requirements, and 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 accounts;
- prepare the accounts on a going concern basis.

The Accounting Officer of the DH has designated the Chief Executive as Accounting Officer for the Human Tissue Authority with responsibility for preparing the HTA's accounts and for transmitting them to the Comptroller and Auditor General. The previous Chief

Executive left the HTA on 29 May 2015 and the Director of Resources was interim Accounting Officer until the new Chief Executive was in post.

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 safeguarding the HTA's assets, are set out in the Accounting Officers' Memorandum, issued by the DH, and in Managing Public Money published by HM Treasury.

Accounts direction

The Annual Accounts have been prepared and issued by the HTA, under directions given by the Secretary of State, with the approval of HM Treasury, in accordance with Schedule 2 (paragraph 16) of the HT Act. The Accounts report the resources that have been used by the HTA to deliver its objectives. These Annual Accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual (FRoM) 2015/16.

Authority statement

The SMT of the HTA and the ARAC, on behalf of the Authority, has reviewed the Annual Report and Accounts. I confirm that they are fair, complete and understandable and provide the information necessary for stakeholders to assess the performance of the HTA.

Governance Statement

Introduction

This statement sets out the governance and control framework at the HTA and the risks to HTA performance. It explains how I have discharged my responsibility, as Accounting Officer, to manage and control the HTA's resources in 2015/16.

The picture is good, with strong performance from the Authority, Committees and the executive, and very positive outcomes from internal audit. There have been changes in Authority and Committee membership, and within the SMT, which have been managed with others providing continuity. There have been no governance issues or incidents in 2015/16.

Governance framework

The Authority

The Authority (the HTA's statutory non-executive board) comprises a Chair and 11 Members who are appointed by the Secretary of State for Health, with the exception of one Member appointed by the Welsh Minister and one by the Minister in Northern Ireland. Members are appointed for a three-year term of office initially. At the end of 2015/16 there were 11 Members plus the Chair who come from a variety of medical, scientific, legal, media, administrative and ethical backgrounds. This ensures that the Authority draws on a wide range of experience relevant to the governance of the HTA. By law, at least half must be lay Members.

One Member came to the end of their term in 2015/16 and he was replaced promptly. A further four Members reached the end of their term at the end of March 2016 and new Members take up post in April.

The Authority's primary role is to ensure that the HTA's statutory responsibilities are met. It achieves this by setting the HTA's strategic direction and providing both support and challenge to an executive that is responsible for the discharge of these responsibilities on a day-to-day basis. The Authority receives quarterly performance, finance and risk reports from the executive, as well as quarterly reports of regulatory action, living donation activity and communications evaluation and reports on other matters on a periodic or as required basis. The Authority questions the executive and explores aspects of work with staff (for example reportable incidents) to assure themselves that they can rely on the quality of data and information in the reports. The Authority has been satisfied with the quality and scope of the reports made. Authority Members also have an executive role in approving living organ donation for transplants.

The Authority ensures that statutory functions are delivered appropriately, in line with the Harris review. It is clear about the statutory basis of work undertaken by the HTA, ensuring there is direction or clarification from the DH.

The culture of the HTA is to be publicly accountable and Authority agendas, papers and minutes are published, along with other policies and reports. This plays an important part in providing assurance that risk identification and management is sound.

The Authority met four times during the year, with one of those meetings being open to the public. There was also an extraordinary meeting to discuss the revised Codes of Practice. The Chief Executive and executive directors, the SMT, attend Authority meetings. Representatives from the DH also attend, and other HTA staff attend as required. Member attendance at ordinary Authority meetings in 2015/16 is listed below.

| Authority Member | Number of meetings attended |
|---------------------------------------|------------------------------------|
| Sharmila Nebhrajani OBE (Chair) | 4 |
| Brian Coulter (end of term May 2015) | 1 |
| Catharine Seddon | 4 |
| Professor Susan Dilly | 4 |
| Suzanne McCarthy | 3 |
| Rosie Glazebrook | 3 |
| Professor Gurch Randhawa | 3 |
| William Horne | 3 |
| Professor Andy Hall | 2 |
| Professor Anthony Warrens | 3 |
| Hossam Abdalla | 3 |
| Amanda Gibbon | 4 |
| Glenn Houston (took up post May 2015) | 3 |

Committees and groups

The Authority is supported in its work by Committees and groups involving Members. Committees are made up of Members and review the work of the HTA and make decisions or recommend a decision to the full Authority where necessary. Groups include stakeholders and provide input to emerging strategies and approaches. The following committees and groups were in place in 2015/16.

Committees of Members:

- Audit and Risk Assurance Committee
- Remuneration Committee

Groups consisting of Members with external stakeholder representation:

- Transplant Advisory Group (TAG)
- Histopathology Working Group (HWG)
- Stakeholder Group

Having external stakeholder representation on groups provides the opportunity for the Authority to work with stakeholders to review and develop issues and advise the Executive. These discussions improve Member understanding of operational activity which enhances the Authority's ability to scrutinise the actions of the Executive. Groups also provide Members and stakeholders with the chance to contribute views to the early stages of significant regulatory policy development, resulting in better decision making.

TAG exists as a forum for the discussion of issues arising in living and deceased organ donation. In particular, the Group considers new policy issues and emerging novel areas in transplantation; identifies revisions required to current HTA or NHS Blood and Transplant (NHSBT) policies; discusses the complex ethical issues in transplantation; and reviews guidance on issues surrounding Independent Assessors (IAs), including recruitment and performance issues identified during the reaccreditation process.

HWG exists to maintain a positive and long-lasting impact on the delivery of post mortem services, working with the sector to help drive up standards. Consultation with HWG helps ensure that advice provided by the HTA remains current and in line with professional guidance. In addition, the HWG considers on an on-going basis issues facing post mortem sector establishments, in order to inform the continued development of HTA regulatory policy affecting the sector and its overlap with the research sector.

The Stakeholder Group exists to provide a forum for regular consultation on our approach to regulatory activities, including fee-setting and an opportunity for stakeholders to make their views known to the Authority. The Stakeholder Group was established to ensure the HTA continues to improve transparency and accountability and maintain effective working relationships with establishments we license.

The ARAC met three times in 2015/16. The Chief Executive, the Director of Resources, the Head of Finance and Governance, the HTA's external and internal auditors and DH attend meetings. Other directors and staff are asked to attend to discuss particular risk areas that the ARAC wishes to explore, or other topics depending on the ARAC's business. The ARAC's terms of reference outline the support this body provides to the Accounting Officer (the Chief Executive) throughout the year, in particular, providing scrutiny to support the agreement of the Governance Statement. The membership of ARAC changed in May 2016, due to Members' terms of appointment coming to an end. Member attendance at ARAC meetings in 2015/16 is listed below.

| ARAC member | Number of meetings attended |
|--------------------------|------------------------------------|
| Catharine Seddon (Chair) | 3 |
| Amanda Gibbon | 3 |
| William Horne | 2 |
| Rosie Glazebrook | 2 |
| Professor Andy Hall | 1 |

In addition the Chair of the Authority, Sharmila Nebhrajani, attended parts of the June and February meetings. Glenn Houston, who will join ARAC in May 2016, observed the February meeting.

During 2015/16, ARAC reviewed strategic risks at each meeting, approved or noted (as appropriate) updated policies on an annual cycle, took reports of audit findings from external and internal auditors and reviewed the HTA's progress in implementing audit recommendations. There has been further assurance mapping this year and the ARAC received a map of assurances about Living Organ Donation approval, Information Technology and Business Planning and Performance Management. In February, the ARAC had their annual meeting in private with external and internal auditors to assure themselves there were no other matters they should be aware of.

The Remuneration Committee met in May 2015 to agree the principles for the 2015 pay award and in November 2015 to deal with various salary matters. The Chief Executive, the Director of Resources and the Head of HR attend the Remuneration Committee as appropriate. Members and their attendance is as follows:

| Member | Number of meetings attended |
|---------------------------------|------------------------------------|
| Sharmila Nebhrajani OBE (Chair) | 2 |
| Suzanne McCarthy | 0 |
| Hossam Abdalla | 2 |
| Rosie Glazebrook | 2 |

Catharine Seddon also attended the May meeting.

Authority Members may also chair and participate in HTA conferences, events, and workshops for stakeholders; participate in working groups covering the work of the Directorates; and may represent the HTA in the media, and provide advice to the executive. The Welsh Member has also liaised with the Welsh Government and Ministers.

Members have attended events for non-executive directors organised by the DH on topics including the Role of Regulation, the five year forward view, personalised health and care, managing risk and general discussions for Chairs and NEDs.

The Chair of ARAC also attends networking meetings of audit committee chairs.

Effectiveness of the Authority

The HTA complies with the *Corporate Governance Code* as appropriate to the type of organisation we are. Members' terms and conditions include adherence to the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership, and these are demonstrated in Authority meetings.

The Chair of the Authority assesses the performance of each member annually. DH forms a view on the effectiveness of the Authority by attending meetings and of the HTA's performance through quarterly accountability meetings. No significant issues have been raised.

ARAC makes a self-assessment of its performance annually. In November 2015 ARAC members addressed some key questions of performance. In addition, a chair of another ARAC observed that meeting and fed back observations to members. This resulted in formalising and better recording matters considered and improving preparation for exploration of particular areas of risk. ARAC continues to have training sessions after each meeting to aid understanding of current topics. Areas of training this year have been cyber risk, failures of governance and different approaches to internal audit.

Potential conflicts of interest are managed by all Authority members, and staff, declaring in a register of interests any company directorships and other significant interests held by them or their close family and friends which may conflict with their HTA responsibilities.

Members also declare their interest in any items being discussed at Authority meetings. The Chair decides whether there is a conflict of interest and whether they should remain involved in the discussion.

The executive

The executive implements the policy and strategic goals set by the Authority. It is led by the Senior Management Team (SMT) consisting of the Chief Executive and three directors.

This SMT meets weekly to consider a regular programme of business, ad hoc items and to exchange information. The SMT provides leadership to the staff of the HTA and makes decisions on how the strategies agreed by the Authority are to be implemented. The regular programme of business includes finance reports and reviews of the strategic risk register.

The HTA Management Group (HTAMG) consists of the SMT and the Heads of functions (the next level of management). This group meets monthly to review performance and operational risk, agree business plans and projects. Every quarter HTAMG considers operational risks alongside strategic risks.

The Accounting Officer follows the requirements of *Managing Public Money* and the delegations issued by the DH. To ensure compliance with the Framework Agreement agreed with DH the HTA ensures:

- the provision of the HTA's strategic and business plans for approval by the DH
- that the HTA submits quarterly performance and risk reports to the timetable outlined by the DH and other returns (e.g. finance and headcount) as required
- participation in quarterly accountability reviews held between the HTA's SMT and the senior department sponsor

Whistleblowing arrangements

The HTA's Whistleblowing policy sets out how any concerns can be raised by staff and what action would be taken. It aims to reassure staff that they should raise concerns openly and that there will be no repercussions for them if they raise concerns in good faith. The policy has been communicated to staff through newsletters and all staff meetings.

As well as line management and HR channels, the HTA has a Freedom to Speak up champion and an Authority champion with whom staff can raise concerns. Contact details for the DH, National Audit Office (NAO) and the Whistleblowing Helpline are also provided.

During the year, there have been no concerns raised under the whistleblowing arrangements. The position is reported to ARAC at each meeting. Staff raise issues and make suggestions as part of day to day working in line with the culture at the HTA.

The control framework

The HTA understands the importance of risk management and internal control. All members of the Authority and the executive have responsibility for risk management. The Authority is ultimately responsible for overseeing management of the HTA's strategic risks. The Authority is supported by the ARAC and monitors risks through reports from the executive and quarterly updates of the strategic risk register. The Chief Executive is responsible for providing leadership for management of risk within the organisation, supported by the Director of Resources, and all members of the SMT are responsible for managing the strategic risks that may impact the delivery of policies and objectives in their areas of work. Heads of functions manage the operational risks to the delivery of their areas of work, reporting to the HTAMG monthly.

There is an ongoing process designed to:

- identify and prioritise the risks to the achievement of HTA policies and aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- manage them efficiently, effectively and economically

The HTA Risk Management Strategy and Policy sets out the principles and approach to managing risk at the HTA. This was reviewed and updated in November 2015, and approved by the ARAC. It was also presented to operational and strategic risk owners at HTAMG, thereby providing refresher training.

In order to ensure consistent proper procedures are followed, the control framework also includes policies and standard operating procedures that are reviewed and updated regularly. There is also training and oversight by line managers.

This framework has been in place in the HTA for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. The framework will continue to be refined and enhanced in order to ensure the HTA meets best practice for an established public body. The HTA will build on advice from our external and internal auditors as well as other professional sources to ensure it remains fit for purpose to meet the changing nature of our business.

The HTA is aware of the Macpherson report but does not use analytical models that inform government policy.

Risk assessment

The HTA has five strategic risks, which have been present for some time, although their focus, causes and effects and seriousness have varied. At the end of 2015/16 two were assessed as amber: inability to carry out our statutory remit and failure to meet public and professional expectations of human tissue regulation (a new risk in May 2015). The remaining three were green: insufficient financial resources, inability to manage an incident, and inadequate stakeholder/relationship management. Risks are rated using a traffic light system of red, amber or green which is determined by the impact and likelihood scores, as set out in the Risk Management Strategy and Policy.

During 2015/16 the risk of inability to carry out our statutory remit increased in June and January when turnover of staff and delivery of key pieces of work was particularly high and has since remained stable, still at amber.

Staff turnover and capacity remained a key contributory factor to several of the strategic risks, in particular our ability to carry out our statutory remit. During 2015/16, we continued to experience more changes in Regulation Managers, with some leaving and significant levels of maternity leave. Pay restrictions and pay levels at the HTA and the limited opportunities for progression are an ongoing cause of turnover, as well as more personal reasons. The HTA continues to try to offer other benefits and opportunities that are perceived as valuable to retain staff.

We have recruited new staff across most directorates, after considering potential efficiencies and SMT assessment for the need for the role, but there has been a loss of experience which will take some time to replace. We have managed this by reducing

discretionary, developmental work and by more efficient regulatory methods and approaches.

Assurance sources are identified for all risks and these reports and feedback have confirmed that the controls in place are as expected and that the risks are as stated.

At the end of March 2016, the SMT reviewed the strategic risks against the 2016/17 Strategic Plan, and refreshed the risks more fundamentally. There are new strategic risks of failure to regulate appropriately and failure to use our capabilities effectively. We retain the risks of failure to manage an incident, failure to manage expectations of regulation and insufficient financial resources.

Three strategic risks are amber rated, the other two are green. Failure to regulate appropriately is our highest amber risk. As well as ensuring our regulation is proportionate and consistent, it is important that we are alert to changes in processes that impact on regulation and are sufficiently agile to respond to these quickly. We have good mechanisms in place, but the impact of not regulating in a manner that maintains public safety and confidence would be significant.

The second amber risk is failure to manage expectations of regulation, which has been a risk at that level throughout the year. This arises through misperceptions of HTA regulatory reach and limitations in the current legislation. We communicate and advise as appropriate and raise the issues with DH.

Failure to utilise our capabilities effectively is also an amber risk. This new risk concerns how we deploy our staff, use data and business technology. There has been significant progress with delivering our People Strategy, with more planned in 2016/17. We will also develop plans for using our data better in 2016/17.

Pensions

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

Data security

In accordance with our responsibilities under Schedule 2 (paragraph 16) of the HT Act and the provisions of the Human Tissue (Quality and Safety for Human Application) Regulations 2007, the HTA has in place various robust and specific arrangements to ensure information security, including data protection. These include an information governance and cyber risk policy that applies to all staff, Members and contractors. Information governance was reviewed in 2014/15 by internal audit and was deemed satisfactory. There were no personal data losses in 2015/16.

The Director of Resources holds the role of Senior Information Risk Owner (SIRO). This is one of the requirements to strengthen controls around information security set out in the report of the Data Handling Review, which was carried out in 2008 for the Cabinet Office. The SIRO makes an annual report of compliance with the requirements for protecting

information and an assessment of information risk management to the Accounting Officer and the ARAC which contributes to this Statement.

The HTA conducts an annual review of its arrangements against the Cabinet Office's mandatory requirements and reports compliance to the ARAC and DH using the Security Policy Framework and the 10 steps to cyber security. For the relevant requirements, there are no areas of non-compliance that put information security at risk.

Accounting Officer Responsibilities and assurance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the executive directors within the organisation who have responsibility for the development and maintenance of the internal control framework, risk management reports and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of the reviews of the effectiveness of the system of internal control by the Authority's ARAC and plans to address any weaknesses and ensure continuous improvement of the system are in place.

During the year, the HTA engaged internal auditors to investigate the areas of Living Organ Donation and Business Continuity, and to advise us on Document Retention. We have received positive assurances from the internal auditors and are actively introducing measures to bring about the further improvements identified. There was one high priority recommendation in relation to Living Organ Donation, to ensure that all Independent Assessors (IAs) had satisfactory Disclosure and Barring Service checks. Progress has been made and all IAs will have checks in place by the end of May 2016. In addition, internal audit facilitated assurance mapping workshops for the areas of Information Technology and Business planning and performance management, as well as assurance mapping as part of the Living Organ Donation audit. All these identified good levels and types of controls and a few areas for action. From this, internal audit's annual opinion and the other sources stated on the risk registers (Authority reports, reviews with staff and feedback from DH and stakeholders), assurances have been gained over the key areas, as set out above.

This enables me to confirm that the HTA's systems are effective and working, to ensure that we have, and continue to, fulfill our remit and our objectives.

I took up post on 6 July 2015 and have taken account of the opinions provided by the previous Accounting Officers in the period from 1 April 2015.

There have been no significant internal control problems in the HTA up to 31 March 2016 and up to the date of this report.



Allan Marriott-Smith
Accounting Officer
Human Tissue Authority

Date: 28 June 2016

Remuneration and staff report

This report contains details on the remuneration of members of our Authority and the Executive for the year ended 31 March 2016. It is based upon the provisions contained within the Government Financial Reporting Manual 2015/16. It also provides an analysis of staff and sickness absence data.

Audit

Specific areas of the remuneration report are audited by NAO, the HTA's external auditors. These sections cover salary and pension data in the tables below, non-cash benefits and amounts payable to third parties for services of senior staff.

Salary and benefits in kind of Authority Members

Members of the Authority receive an annual remuneration that is agreed by the Secretary of State for Health. This remuneration does not include any pension entitlements. Any increase or change to the remuneration is notified to the HTA by its sponsor department, the DH. Members also receive travel and subsistence expenses which are deemed a benefit in kind (see later section). In the financial year 2015/16 these payments were as follows:

| Authority Member | | 2015/16 | | | 2014/15 | | |
|-----------------------------------|---------------------|--------------|----------------------------|-------|--------------|----------------------------|--------|
| Name | Role | Salary range | Expenses (to nearest £100) | Total | Salary range | Expenses (to nearest £100) | Total |
| | | £'000s | £ | £ | £'000s | £ | £'000s |
| Sharmila Nebhrajani OBE | Chair | 40-45 | 2,500 | 40-45 | 40-45 | 4,300 | 45-50 |
| Catharine Seddon | Chair of ARAC | 10-15 | 200 | 10-15 | 10-15 | 100 | 10-15 |
| Brian¹ Coulter | Lay Member | 0 | 0 | 0 | 5-10 | 2,400 | 10-15 |
| Professor Susan Dilly | Professional Member | 5-10 | 0 | 5-10 | 5-10 | 0 | 5-10 |
| Suzanne McCarthy | Lay Member | 5-10 | 0 | 5-10 | 5-10 | 0 | 5-10 |
| Rosie Glazebrook | Lay Member | 5-10 | 0 | 5-10 | 5-10 | 0 | 5-10 |
| Professor Gurch Randhawa | Lay Member | 5-10 | 0 | 5-10 | 5-10 | 0 | 5-10 |
| William Horne | Lay Member | 5-10 | 2,200 | 10-15 | 5-10 | 1,100 | 5-10 |
| Amanda Gibbon | Lay Member | 5-10 | 0 | 5-10 | 0-5 | 0 | 0-5 |
| Hossam Abdalla | Professional Member | 5-10 | 0 | 5-10 | 0-5 | 0 | 0-5 |
| Professor Andy Hall | Professional Member | 5-10 | 2,900 | 10-15 | 0-5 | 1,100 | 0-5 |
| Professor Anthony Warrens | Professional Member | 5-10 | 0 | 5-10 | 0-5 | 0 | 0 |

| | | | | | | | |
|----------------------|------------|------|-------|------|-----|-----|-----|
| Glenn Houston | Lay Member | 5-10 | 1,800 | 5-10 | N/a | N/a | N/a |
|----------------------|------------|------|-------|------|-----|-----|-----|

¹ Brian Coulter's term ended 05/05/2015 but was paid to 31/03/2015

The Senior Management Team

| Name | Position | Appointed | Until |
|---|---|------------------|-------------|
| Dr Alan Clamp | Chief Executive | 1 October 2011 | 29 May 2015 |
| Allan Marriott Smith | Chief Executive | 6 July 2015 | N/a |
| Sue Gallone | Director of Resources | 6 October 2009 | N/a |
| Sarah Bedwell | Director of Regulation | 30 October 2011 | N/a |
| Allan Marriott Smith (promoted 06/07/15) | Director of Strategy and Quality | 21 June 2010 | 5 July 2015 |
| Victoria Marshment | Director of Policy, Strategy and Communications | 15 February 2016 | N/a |

Remuneration for SMT is agreed by the HTA Remuneration Committee and DH, following the very senior managers' pay framework and in-line with HM Treasury requirements.

In 2015/16 there was a temporary salary uplift for increased responsibilities and one non-consolidated performance bonus was awarded.

Later sections provide details of the remuneration, pension interests and benefits in kind of SMT.

These details are shown in accordance with the FReM. 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Staff remuneration policy

The HTA provides for staff salaries to be uplifted annually in August. Any uplifts are in line with HM Treasury pay guidance and approved by DH. After two years of pay freeze (2010 and 2011), the HTA have made awards each year to eligible staff who are performing satisfactory that do not exceed 1% of the paybill.

Duration of contract, notice periods and termination payments on contracts of employment

Members of staff in Bands 1 – 2 (Assistants and Officers) are required to give the HTA six weeks' notice for termination of contract. The HTA is required to give the same notice period. Members of staff in Bands 3 – 4 (Managers and Heads) and Directors are required to give three months' notice. The HTA is required to give the same notice period. Termination payments are made only in appropriate circumstances and may arise where staff are not required to work their notice period. No payments were made in 2015/16 (and none in 2014/15).

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HMRC as a taxable emolument. The HTA has agreed a PAYE Settlement

Agreement (PSA) with HMRC re taxable emoluments of HTA Authority Members. This covers travel and subsistence.

Information regarding travel and subsistence claimed by Authority Members and senior management has been published on the Authority's website www.hta.gov.uk

No benefits in kind were received by senior staff members in 2015/16 or 2014/15.

Senior management remuneration

| Senior Manager | Salary £000s | Bonus £000s | B-i-K £000s | Pension Benefits ¹ £000s | Total £000s | Salary £000s | Bonus £000s | B-i-K £000s | Pension Benefits £000s | Total £000s |
|--|------------------------|----------------|----------------|--|----------------|-----------------|----------------|----------------|---------------------------|----------------|
| | 2015/16 | | | | | 2014/15 | | | | |
| Allan ² Marriot-Smith-CEO (from 06/07/15) | 90-95 (Fte 115-120) | 0 | 0 | 77 | 170-175 | 80-85 | 0 | 0 | (2) | 80-85 |
| Dr Alan Clamp CEO (until 29/05/15) | 20-25 (Fte 100-105) | 0 | 0 | 0 | 20-25 | 100-105 | 0 | 0 | 34 | 135-140 |
| Sue Gallone ³ | 85-90 (Fte 95-100) | 0-5 | 0 | 0 | 85-90 | 95-100 | 0 | 0 | 0 | 95-100 |
| Sarah Bedwell | 85-90 | 0 | 0 | 33 | 115-120 | 80-85 | 0-5 | 0 | 28 | 110-115 |
| Victoria Marshment | 10-15 (Fte 85-90) | 0 | 0 | 11 | 20-25 | N/a | N/a | N/a | N/a | N/a |

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less the contributions made by the individual.

² Allan Marriott Smith was promoted to CEO and his current annual salary is quoted in brackets.

³ Sue Gallone reduced her working week to 0.8Fte so her full-time equivalent salary is shown in brackets.

| Highest paid Director | 2015/16 £'000 100 -105 (full year equivalent) | 2014/15 £'000 100 - 105 (full year equivalent) |
|------------------------------|--|---|
| Median remuneration of staff | 42.2 | 41.9 |
| Ratio | 2.78 | 2.41 |

Under reporting requirements, public sector bodies are required to disclose the relationship between the total remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The highest paid Director for this comparison was the Chief Executive. There was a small increase to the median remuneration to staff due to pay awards for staff. The ratio of the highest paid Director to median staff pay increased due to a change in Chief Executive and their salary.

In 2015/16, nil (2014/15, nil) employee(s) received remuneration in excess of the highest paid director. Remuneration as at 31 March 2016 ranged from £23,000 to £95,000 (2014/15 £23,000 to £95,000).

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

Staff costs

The HTA is structured as follows: twelve Authority (Board) Members and an Executive of 45 staff.

For 2015/16, the HTA staff costs are:

| | Permanently employed staff | Members | Seconded Staff | Total 2015/16 | Total 2014/15 |
|--|-------------------------------|----------------|-------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Wages and salaries | 1,899,988 | 133,947 | 174,127 | 2,208,062 | 2,248,371 |
| Social security costs | 176,055 | 5,370 | 19,672 | 201,097 | 196,791 |
| Pension costs | 210,976 | 0 | 12,442 | 223,418 | 209,560 |
| Subtotal | 2,287,019 | 139,317 | 206,241 | 2,632,577 | 2,654,722 |
| Less recoveries in respect of outward secondments | 0 | 0 | 122,817 | 122,817 | 125,484 |
| Total net costs | 2,287,019 | 139,317 | 83,424 | 2,509,760 | 2,529,238 |

For 2015/16 contributions of £223,418 (2014/15, £209,560) were paid to the NHSPS at rates prescribed by HM Treasury. The current rate for the NHSPS is 14.3 per cent of pensionable pay according to salary level.

Off-payroll assurance statement

The HTA seeks to ensure that any engagements of more than six months in duration, for more than a daily rate of £220, include contractual provisions that allow us to seek assurance regarding the income tax and National Insurance Contribution obligations of the person engaged, and to terminate the contract if that assurance is not provided. During 2015/16 there was one engagement which met the above criteria and in this case assurance was sought and provided to us.

Average number of persons employed

The average number of whole-time equivalent (Wte) persons employed or outwardly seconded during the year was as follows.

| | Permanently employed staff | Seconded Staff | Total 2015/16 |
|------------------|----------------------------------|-------------------|------------------|
| SCS Bands | 3.0 | 0.63 | 3.63 |
| Other | 40.1 | 1.10 | 41.20 |
| Total | 43.1 | 1.73 | 44.83 |

All staff are directly employed by HTA. During the year, three staff were on secondment for part of their time; one to the HFEA for four days per week from October 2015 until April 2016, two others to the HFEA for approximately half of their time. As at 31 March 2016 the HTA employed 45 Wte staff (2014/15, 45).

An analysis of gender mix for the headcount as at 31 March 2016 is provided below.

| Gender | Male | Female | Total |
|---|-----------|-----------|-----------|
| Authority Members | 6 | 6 | 12 |
| Directors | 1 | 3 | 4 |
| Total staff (including Directors, excluding Members) | 13 | 35 | 48 |

None of the HTA staff who declare report themselves as disabled. An analysis of other characteristics of all staff, as at 31 March 2016, is provided below.

| Age range | |
|-----------|----|
| < 34 | 18 |
| 35 – 44 | 13 |
| 45 – 54 | 7 |
| > 55 | 7 |

| Ethnicity | |
|-----------------|----|
| White British | 24 |
| Other Ethnicity | 21 |

| Religion | |
|-----------------|----|
| Christian | 14 |
| Other Religions | 5 |
| Non-religious | 19 |
| Undisclosed | 7 |

Equal opportunities and diversity

The HTA is committed to providing equal opportunities for all staff. Our aim is to ensure that all staff are aware that any form of discrimination against people, because of their race, disability, gender, gender identity, religion/belief, age, sexual orientation or any other protected characteristic is prohibited within the HTA, and to ensure that the HTA abides by the statutory regulations regarding human rights and discrimination.

We monitor our performance in this area. Our policy is reviewed annually with training carried out regularly.

Sickness and absences

During the year ended 31 March 2016 the total number of whole time equivalent days (Wte) lost to sickness absence was 303 days (2014/15 88.5 days). This substantial increase is due to two staff members with long-term illness. This information is disclosed in accordance with the *Government Financial Reporting Manual (FReM)* and equates to an average of 2 days per Wte; and a sickness absence rate of 1%.

Staff pensions

For the period from 1 December 2009, employees were covered by the provisions of the National Health Service (NHS) Pension Scheme.

NHS pension scheme

Details of the benefits payable under the NHSPS can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable an organisation to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme; the cost to the HTA of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

In 2015/16 HTA employer's contributions were £223,418, (2014/15 £209,560) at a rate of 14.3% of pensionable pay.

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 the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2016 is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Senior staff pensions – National Health Service Pension Scheme

| Name of Officer | Pension at 31/03/2016 (vi) | CETV at 31/03/2016 (viii) | CETV at 31/03/2015 (ix) | Employee contributions and transfers-in (x) | Real increase in CETV as funded by employer 2015/16 (xi) | Real increase in CETV as funded by employer 2014/15 (xii) |
|---------------------------------|----------------------------|---------------------------|-------------------------|---|--|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Allan Marriott-Smith | 10.0-10.5 | 121 | 81 | 13 | 38 | (1) |
| Sue Gallone ¹ | 0 | 0 | 0 | 0 | 0 | 0 |
| Sarah Bedwell | 6.0-6.5 | 75 | 55 | 12 | 19 | 16 |
| Victoria ² Marshment | 5.0-5.5 | 42 | 37 | 1 | 5 | N/a |

¹ Sue Gallone is retired from the Civil Service and pension scheme and the HTA pays no further pension contributions.² Victoria Marshment was not part of the SMT in 2014/15.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report. Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.”

Cash equivalent transfer value (CETV)

Columns (viii) and (ix) of the above tables show the staff member's cash equivalent transfer value accrued at the beginning and end of the reporting period. Column (xi) reflects the increase in cash equivalent transfer value effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A cash equivalent transfer value 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 staff member's accrued benefits and any contingent spouse's pension payable from the scheme. A cash equivalent transfer value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity, to which disclosure applies. The cash equivalent transfer value figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the National Health Service Pension Scheme /Principal Civil Service Pension Scheme arrangements and for which, the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

Cash equivalent transfer values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, as advised by the actuary to the Principal Civil Service Pension Scheme.

The real increase in the value of the CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the officer and are calculated using common market valuation factors for the start and end of the period.



Allan Marriott-Smith
Accounting Officer
Human Tissue Authority

Date: 28 June 2016

Parliamentary accountability and audit report

Accountability (the details below are subject to audit)

Fees charging and cost allocation

Our Licence fees are set to recover the full cost incurred in the granting of licences and regulation. The table below shows the income from each sector, other income for licensing activities and the costs of licensing activities. The income shown is that which relates to licensable activities and therefore excludes an element of rent and income from secondments.

We confirm that we have complied with the cost allocation and charging requirements as set out in HM Treasury's guidance.

| SECTOR | 31 March 2016 | 31 March 2015 |
|---|------------------|------------------|
| | £ | £ |
| Applications | 53,650 | 48,100 |
| Anatomy | 82,515 | 80,367 |
| Post Mortem | 1,042,859 | 1,082,850 |
| Public Display | 16,083 | 15,575 |
| Research | 521,451 | 657,449 |
| Human Application | 1,227,156 | 1,123,596 |
| Organ Donation/ Transplantation | 273,150 | 279,575 |
| Other income for licensing activities ¹ | 272,574 | 0 |
| Total Licence fee income | 3,489,438 | 3,287,512 |
| Costs allocated to licensing activities | (3,335,708) | (3,350,000) |
| Surplus/(Deficit) on activities | 153,730 | 62,488 |

¹ Figure includes income from Devolved Governments, staff and rental of excess space. Last year we allocated this income differently.

In addition, there are elements of our work that does not relate directly to the cost of regulating the sectors above. The DH accordingly contributes to the funding of these activities through the provision of Grant-in-aid.

Losses and special payments

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

There were no losses or special payments made in 2015/16.

Remote contingent liabilities

This has been reported under note 12 in the financial statements.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Human Tissue Authority (“the Authority”) for the year ended 31 March 2016 under the Human Tissue Act 2004. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers’ Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Authority’s and Accounting Officer’s Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Human Tissue Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Authority's affairs as at 31 March 2016 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Human Tissue Act 2004 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the Human Tissue Act 2004.
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 29 June 2016

HUMAN TISSUE AUTHORITY
Statement of Comprehensive Net Expenditure
for the year ended 31 March 2016

| | Note | <u>31-Mar-16</u> £ | <u>31-Mar-15</u> £ |
|---|------|-----------------------|-----------------------|
| Income from sale of goods and services | | | |
| Income from licence fees | 4 | 3,216,865 | 3,287,511 |
| Other Income | 4 | 348,959 | 340,147 |
| Total operating income | | <u>3,565,824</u> | <u>3,627,658</u> |
| Expenditure | | | |
| Purchase of goods and services | 3 | 662,552 | 632,668 |
| Staff costs | 3 | 2,632,577 | 2,654,722 |
| Depreciation and impairment charges | 3 | 213,652 | 219,170 |
| Other operating expenditure | 3 | 633,780 | 642,073 |
| | | <u>4,142,561</u> | <u>4,148,633</u> |
| Net Expenditure | | <u>576,737</u> | <u>520,975</u> |

There are no items of expenditure that should be shown as Other Comprehensive Expenditure.

The notes on pages 39 to 52 form part of the accounts

HUMAN TISSUE AUTHORITY
Statement of Financial Position
as at 31 March 2016

| | Note | <u>31-Mar-16</u> £ | <u>31-Mar-15</u> £ |
|---|------|-------------------------|-------------------------|
| Non-current assets: | | | |
| Property, plant and equipment | 5 | 608,490 | 613,843 |
| Intangible assets | 6 | <u>154,503</u> | <u>136,944</u> |
| Total non-current assets | | <u>762,993</u> | <u>750,787</u> |
| Current assets: | | | |
| Trade and other receivables | 8 | 109,081 | 97,311 |
| Cash and cash equivalents | 9 | <u>2,767,798</u> | <u>2,932,459</u> |
| Total current assets | | <u>2,876,879</u> | <u>3,029,770</u> |
| Total assets | | <u>3,639,872</u> | <u>3,780,557</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | <u>228,631</u> | <u>696,579</u> |
| Total current liabilities | | <u>228,631</u> | <u>696,579</u> |
| Non-current assets plus net current assets | | 3,411,241 | 3,083,978 |
| Assets less liabilities | | <u>3,411,241</u> | <u>3,083,978</u> |
| Taxpayers' Equity | | | |
| I&E Reserve | | <u>3,411,241</u> | <u>3,083,978</u> |
| Total | | <u>3,411,241</u> | <u>3,083,978</u> |

The notes on pages 39 to 52 form part of the accounts and were signed on its behalf by:



(Signed)

(Accounting Officer)

28 June 2016

HUMAN TISSUE AUTHORITY
Statement of Cash Flows
for the year ended 31 March 2016

| | | 31-Mar-16 | 31-Mar-15 |
|---|--|---|-------------------------|
| | | Total | Total |
| Note | | <u>£</u> | <u>£</u> |
| Cash flows from operating activities | | | |
| | | (576,737) | (520,975) |
| | | Adjustment for depreciation and amortisation | 219,170 |
| 3 | | 213,652 | 219,170 |
| | | Adjustment for loss/(gain) on disposal of property, plant and equipment | (25) |
| 3 | | - | (25) |
| | | (Increase)/Decrease in trade and other receivables | 36,748 |
| 8 | | (11,770) | 36,748 |
| | | Increase/(Decrease) in trade payables | 502,212 |
| 10 | | (467,948) | 502,212 |
| | | <u>Net cash (outflow) inflow from operating activities</u> | <u>237,130</u> |
| | | <u>(842,803)</u> | <u>237,130</u> |
| Cash flows from investing activities | | | |
| | | Purchase of property, plant and equipment | (15,602) |
| 5 | | (112,744) | (15,602) |
| | | Purchase of intangible assets | (63,058) |
| 6 | | (113,114) | (63,058) |
| | | Proceeds of disposal of property, plant and equipment | 25 |
| | | - | 25 |
| | | <u>Net cash outflow from investing activities</u> | <u>(78,635)</u> |
| | | <u>(225,858)</u> | <u>(78,635)</u> |
| Cash flows from financing activities | | | |
| | | Grants from parent department | 799,000 |
| | | 904,000 | 799,000 |
| | | <u>Net financing</u> | <u>799,000</u> |
| | | <u>904,000</u> | <u>799,000</u> |
| Net increase/(decrease) in cash and cash equivalents in the period | | | |
| | | (164,661) | 957,495 |
| | | <u>(164,661)</u> | <u>957,495</u> |
| Cash and cash equivalents at the beginning of the period | | | |
| | | 2,932,459 | 1,974,964 |
| 9 | | 2,932,459 | 1,974,964 |
| Cash and cash equivalents at the end of the period | | | |
| | | <u>2,767,798</u> | <u>2,932,459</u> |
| | | <u>2,767,798</u> | <u>2,932,459</u> |

The notes on pages 39 to 52 form part of the accounts

HUMAN TISSUE AUTHORITY
Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2016

| | Note | <u>I & E Reserve</u> £ | <u>31-Mar-16 Total Equity</u> £ |
|--|------|-----------------------------------|--|
| Balance at 1 April 2014 | | 2,805,953 | 2,805,953 |
| Changes in taxpayers' equity for 2014/15 | | | |
| Retained surplus/(Deficit) | | (520,975) | (520,975) |
| Total recognised Income and expense for 2014/15 | | <u>(520,975)</u> | <u>(520,975)</u> |
| Grant from parent | | 799,000 | 799,000 |
| Balance at 31 March 2015 | | <u>3,083,978</u> | <u>3,083,978</u> |
| Changes in taxpayers' equity for 2015/16 | | | |
| Retained surplus/(Deficit) | | (576,737) | (576,737) |
| Total recognised Income and expense for 2015/16 | | <u>(576,737)</u> | <u>(576,737)</u> |
| Grant from parent | 1.4 | 904,000 | 904,000 |
| Balance at 31 March 2016 | | <u>3,411,241</u> | <u>3,411,241</u> |

The notes on pages 39 to 52 form part of the accounts

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared pursuant to the Human Tissue Act 2004, Schedule 2 (paragraph 16) and in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Human Tissue Authority (HTA) for the purposes of giving a true and fair view has been selected. The particular policies adopted by the HTA for the year ended 31 March 2016 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

The accounts have been prepared under the historical cost convention.

1.2 Accounting Policies and estimates

There were no changes in accounting policies this year.

The following Accounting policies have been applied to the accounts for 2015/16.

1.3 Non-current assets

Non current assets are property, plant and equipment and intangible assets including the costs of acquiring or developing computer systems and software. Only items or groups of related items costing £1,000 or more are capitalised. Items costing less are treated as revenue expenditure in the year of acquisition.

All property, plant and equipment and intangible assets held by the HTA at 31 March 2016 are carried in the Statement of Financial Position at depreciated (property, plant and equipment) or amortised (intangible assets) historical cost. The depreciated or amortised historical cost is used as a proxy for fair value, for the classes of assets listed below, since the useful life over which the asset class is depreciated or amortised is considered to be a realistic reflection of the consumption of that asset class. Depreciation and amortisation are provided on a monthly basis from the date of deemed economic benefit, at rates calculated to write off the costs of each asset evenly over its expected useful life.

Plant and Equipment

| | |
|-------------------------|----------------|
| Information Technology | 3 years |
| Furniture and fittings* | 3 and 5 years |
| Refurbishment Costs* | 5 and 10 years |

Intangible assets

| | |
|------------------------|---------|
| Information Technology | 5 years |
| Websites | 3 years |

There have been additions in 2015/16 under Furniture and fittings and Refurbishment costs which normally have useful lives of three and ten years respectively. However, these new additions relate to the renting of more space to the NHS Litigation Authority and are therefore being depreciated/amortised over five years which relates to the length of the rental agreement.

This year we have capital projects in progress, (CRM upgrade) currently classed as Asset Under Construction (AUC) and we have extended the useful lives of our Lenovo laptops for a further year (to September 2016).

Critical accounting judgements and key sources of estimation uncertainty

In the application of the HTA accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed annually. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. There have been no critical judgements or key sources of uncertainty.

1.4 Government Grants and Grant-in-aid

Grant-in-aid received is used to finance activities and expenditure which support the statutory and other objectives of the HTA. Grant-in-aid is treated as financing and credited to the income and expenditure reserve, because it is regarded as contributions from a controlling party. During the year ended 31 March 2016 we received Grant-in-aid from the Department of Health (DH) as follows:

| | |
|-----------------------|-----------------|
| Capital Grant-in-aid: | £165,000 |
| Revenue Grant-in-aid: | <u>£739,000</u> |
| Total | <u>£904,000</u> |

1.5 Foreign currency transactions

There were no foreign transactions undertaken this year.

1.6 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease. Rents for those leasehold properties which are held under operating leases are charged against profits.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.7 Income

In 2015/16 income takes the form of fees for licences from establishments which have human tissue on their premises and fixed fees from devolved administrations, for work on policies and transplants.

Other income may be recognised on an accruals basis when the goods or services are delivered or represent charges for staff seconded out.

1.8 Expenditure

Expenditure reflects the costs of running the HTA.

1.9 Employee benefits

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

1.10 Pensions

Past and present employees are covered by the provisions of the NHS Pensions Scheme (NHSPS). Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme's assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the HTA of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

1.11 Value Added Tax

The HTA was not registered for VAT during the financial year 2015/16.

1.12 Receivables

The HTA provides for bad debts on an individual establishment basis. This year a provision of £Nil was provided (2014/15 £Nil).

1.13 Payables

There is one outstanding creditor as at 31 March 2016 for £1,410. We strive to ensure we pay our suppliers in accordance with the Governments Better Payment Code of Practice.

1.14 Financial Instruments and Financial Liabilities

Financial assets and financial liabilities which arise from contracts for the sale or purchase of non-financial items (such as goods and services), which are entered into in accordance with the HTA's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services are made.

1.15 IFRSs, amendments and interpretations in issue but not yet effective, or adopted.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2015/16. The application of the Standards as revised would not have a material impact on the accounts in 2015/16, were they applied in that year.

- IFRS 9 Financial Instruments

1.16 Cash

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents would be investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Analysis of Net Expenditure by Segment

Under the definition of IFRS 8 the HTA is a single operating segment whose objectives are the licensing and inspection of premises involved in the storage and use of human tissue for purposes such as research, patient treatment, post-mortem examination, teaching and public exhibitions.

The HTA also gives approval for organ and bone marrow donations from living people.

The HTA charges fees for its licensing activities which, along with Grant-in-aid from the DH, its sponsoring body, are applied in pursuit of these objectives.

3. Other Expenditure

| | Notes | 31-Mar-16 £ | 31-Mar-15 £ |
|--|----------|-------------------------|-------------------------|
| Staff Costs | | 2,632,577 | 2,654,722 |
| Purchase of goods and services | | | |
| Computer running costs | | 231,070 | 157,279 |
| Staff recruitment, training and welfare | | 128,058 | 144,406 |
| Consultancy | | 2,581 | 28,044 |
| Office and administration costs | | 28,821 | 38,455 |
| Maintenance Contracts | | 29,170 | 34,404 |
| Travel subsistence and hospitality | | 75,843 | 87,889 |
| Conferences & Events | | 29,473 | 38,108 |
| Stationery and publications | | 28,601 | 26,381 |
| Auditors Remuneration | (a) | 54,504 | 49,877 |
| Legal and professional fees | (b) | 54,431 | 27,825 |
| | | <u>662,552</u> | <u>632,668</u> |
| Other operating costs | | | |
| Accommodation | | 548,370 | 542,592 |
| Project Costs | | 61,586 | 60,937 |
| Telecommunications | | 23,824 | 38,569 |
| | | <u>633,780</u> | <u>642,098</u> |
| Non-cash items | | | |
| Depreciation and amortisation | | 213,652 | 219,170 |
| Loss/gain on disposal of plant and equipment | | - | (25) |
| | | <u>213,652</u> | <u>219,145</u> |
| Total | | <u>4,142,561</u> | <u>4,148,633</u> |
| (a) Audit fees | Internal | 27,004 | 26,000 |
| | External | 27,500 | 23,877 |
| | | <u>54,504</u> | <u>49,877</u> |

The External audit fee for 2015/16 is £26,000. The additional £1500 relates to prior year charges adjusted late.

(b) Legal and professional fees have increased against last year due to an increase in legal advice sort relating to our Codes of Practice review.

4. Income

| | 31-Mar-16 | 31-Mar-15 |
|--------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Income from Activities: | | |
| Licence Fee Income | 3,216,865 | 3,287,511 |
| Income from devolved administrations | 115,387 | 115,387 |
| | <u>3,332,252</u> | <u>3,402,898</u> |
| Other Income | 233,572 | 224,760 |
| | <u>3,565,824</u> | <u>3,627,658</u> |

The HTA's remit is to regulate the removal, storage, use and disposal of human organs and tissue from the living and deceased. In accordance with section 16, schedule 3, paragraph 2 (4) (f) and paragraph 13 of the Human Tissue Act 2004, the HTA may grant licences to other organisations and charge fees for those licences.

4.1. Other Income

| | 31-Mar-16 | 31-Mar-15 |
|----------------------------------|------------------|------------------|
| | £ | £ |
| Other Income - Rent | 110,756 | 99,276 |
| Other Income - Outward secondees | 122,816 | 125,484 |
| | <u>233,572</u> | <u>224,760</u> |

Other income - outward secondees relates to three members of staff who worked for other organisations part-time.

5. Property, Plant and Equipment

| | Information Technology Hardware | Furniture & Fittings | Refurbishment Costs | Total |
|--|---------------------------------------|-------------------------|------------------------|------------------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 April 2015 | 230,941 | 108,650 | 1,045,928 | 1,385,519 |
| Additions | 7,058 | 47,274 | 58,412 | 112,744 |
| Disposals | 0 | (8,192) | 0 | (8,192) |
| At 31 March 2016 | 237,999 | 147,732 | 1,104,340 | 1,490,071 |
| Depreciation | | | | |
| At 1 April 2015 | 205,728 | 108,650 | 457,298 | 771,676 |
| Charge for the year | 12,562 | 788 | 104,747 | 118,097 |
| Disposals | 0 | (8,192) | 0 | (8,192) |
| At 31 March 2016 | 218,290 | 101,246 | 562,045 | 881,581 |
| Net book value at 31 March 2016 | 19,709 | 46,486 | 542,295 | 608,490 |
| Net book value at 1 April 2015 | 25,213 | 0 | 588,630 | 613,843 |
| Asset financing: | | | | |
| Owned | 19,709 | 46,486 | 542,295 | 608,490 |
| At 31 March 2016 | 19,709 | 46,486 | 542,295 | 608,490 |
| Cost or valuation | | | | |
| At 1 April 2014 | 239,190 | 112,699 | 1,045,928 | 1,397,817 |
| Additions | 15,602 | 0 | 0 | 15,602 |
| Disposals | (23,851) | (4,049) | 0 | (27,900) |
| Reclassifications | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 230,941 | 108,650 | 1,045,928 | 1,385,519 |
| Depreciation | | | | |
| At 1 April 2014 | 206,188 | 112,699 | 353,524 | 672,411 |
| Charge for the year | 23,391 | 0 | 103,774 | 127,165 |
| Disposals | (23,851) | (4,049) | 0 | (27,900) |
| Reclassifications | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 205,728 | 108,650 | 457,298 | 771,676 |
| Net book value at 31 March 2015 | 25,213 | 0 | 588,630 | 613,843 |
| Net book value at 1 April 2014 | 33,002 | 0 | 692,404 | 725,406 |
| Asset financing: | | | | |
| Owned | 25,213 | 0 | 588,630 | 613,843 |
| Net book value at 31 March 2015 | 25,213 | 0 | 588,630 | 613,843 |

6. Intangible Assets

| | Information Technology | Websites | Assets Under Construction | Total |
|--|---------------------------|---------------|------------------------------|------------------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 April 2015 | 967,096 | 52,050 | 0 | 1,019,146 |
| Additions | 0 | 1,800 | 111,314 | 113,114 |
| Disposals | (15,876) | 0 | 0 | (15,876) |
| Reclassification | 0 | 0 | 0 | 0 |
| At 31 March 2016 | 951,220 | 53,850 | 111,314 | 1,116,384 |
| Amortisation | | | | |
| At 1 April 2015 | 879,310 | 2,892 | 0 | 882,202 |
| Charged in year | 78,155 | 17,400 | 0 | 95,555 |
| Disposals | (15,876) | 0 | 0 | (15,876) |
| At 31 March 2016 | 941,589 | 20,292 | 0 | 961,881 |
| Net book value at 31 March 2016 | 9,631 | 33,558 | 111,314 | 154,503 |
| At 1 April 2015 | 87,786 | 49,158 | 0 | 136,944 |
| Asset financing: | | | | |
| Owned | 9,631 | 33,558 | 111,314 | 154,503 |
| At 31 March 2016 | 9,631 | 33,558 | 111,314 | 154,503 |
| Cost or valuation | | | | |
| At 1 April 2014 | 1,388,450 | 0 | 0 | 1,388,450 |
| Additions | 11,008 | 52,050 | 0 | 63,058 |
| Disposals | (432,362) | 0 | 0 | (432,362) |
| At 31 March 2015 | 967,096 | 52,050 | 0 | 1,019,146 |
| Amortisation | | | | |
| At 1 April 2014 | 1,222,559 | 0 | 0 | 1,222,559 |
| Charged in year | 89,113 | 2,892 | 0 | 92,005 |
| Disposals | (432,362) | 0 | 0 | (432,362) |
| Reclassification | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 879,310 | 2,892 | 0 | 882,202 |
| Net book value at 31 March 2015 | 87,786 | 49,158 | 0 | 136,944 |
| Net book value at 1 April 2014 | 165,891 | 0 | 0 | 165,891 |
| Asset financing: | | | | |
| Owned | 87,786 | 49,158 | 0 | 136,944 |
| Net book value at 31 March 2015 | 87,786 | 49,158 | 0 | 136,944 |

6.1 Software and system development

Included within Information Technology is the development cost of the HTA's CRM system. Over the years the software has been customised to meet organisational needs.

Further development work upon the system has taken place this business year and is expected to be completed (up to phase one) by the end of May 2016. This value of this development work is currently categorised as an Asset Under Construction (AUC).

7. Financial instruments

IFRS 7 Financial Instruments Disclosure requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk at the HTA than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the HTA in undertaking activities.

Liquidity risk

The HTA receives the majority of its income from annual licence fees payable by establishments mainly in the public sector. Other revenue resource requirements are financed by a grant from the DH. These, together with a robust debt recovery and payment process, ensure that the HTA is not exposed to significant liquidity risk.

Market and interest rate risk

At 31 March 2016 the HTA's financial liabilities carried nil rates of interest. The HTA's financial assets relate to receivables and cash balances held at 31 March 2016 within the Royal Bank of Scotland bank account and Barclays commercial current account, which are not interest bearing at present. Interest on cash balances are set by the banks. The HTA is therefore not exposed to significant interest-rate risk.

Credit risk

The HTA receives most of its income from licence fees. It has in place and operates a fit for purpose credit control policy and, where applicable, provides for the risk of debts not being discharged by those establishments it licenses. The HTA is therefore not exposed to significant credit risk.

Foreign currency risk

There were no foreign currency transactions conducted by the HTA during the 12 months ended 31 March 2016. There was therefore no significant foreign currency risk during the year.

Financial assets

By category

| | Total | Receivables and other financial assets |
|--|------------------|--|
| Assets per Statement of Financial Position | £ | £ |
| Licence fee debtors (net of provisions) | 13,988 | 13,988 |
| Other receivables | 95,093 | 95,093 |
| Cash at bank and in hand | 2,767,798 | 2,767,798 |
| Total at 31 March 2016 | 2,876,879 | 2,876,879 |
| Licence fee debtors (net of provisions) | 14,227 | 14,227 |
| Other receivables | 83,084 | 83,084 |
| Cash at bank and in hand | 2,932,459 | 2,932,459 |
| Total at 31 March 2015 | 3,029,770 | 3,029,770 |

The cash balances as at 31 March 2016 carried a floating rate.

Financial liabilities**By category**

| | Total | Other financial liabilities |
|---|----------------|------------------------------------|
| Assets per Statement of Financial Position | £ | £ |
| Trade payables | 1,410 | 1,410 |
| Other payables | 792 | 792 |
| Accruals | 226,429 | 226,429 |
| Total at 31 March 2016 | 228,631 | 228,631 |
| Trade payables | - | - |
| Other payables | 58,247 | 58,247 |
| Accruals | 638,332 | 638,332 |
| Total at 31 March 2015 | 696,579 | 696,579 |

As at 31 March 2016 none of the HTA's liabilities carried a floating rate of interest.

Fair values

The fair value of the financial assets and liabilities was equal to book value.

8. Trade receivables and other current assets

| | 31-Mar-16 £ | 31-Mar-15 £ |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade receivables - Licence fee debtors | 13,988 | 14,227 |
| Other Receivables | 24,713 | 16,443 |
| Prepayments and accrued Income | 70,380 | 66,641 |
| | <u>109,081</u> | <u>97,311</u> |

Amounts falling due after more than one year:

There are no debtors falling due after more than one year.

9. Cash and cash equivalents

| | £ |
|---|------------------|
| Balance at 31 March 2014 | 1,974,964 |
| Net change in cash and cash equivalent balances | 957,495 |
| Balance at 31 March 2015 | <u>2,932,459</u> |
| Net change in cash and cash equivalent balances | (164,661) |
| Balance at 31 March 2016 | <u>2,767,798</u> |

| | 31-Mar-16 £ | 31-Mar-15 £ |
|--------------------------------------|------------------|------------------|
| The following balances were held at: | | |
| Commercial banks | 1,165,554 | 1,754,698 |
| Government Banking Services | 1,602,244 | 1,177,761 |
| | <u>2,767,798</u> | <u>2,932,459</u> |

10. Trade payables and other current liabilities

| | 31-Mar-16 £ | 31-Mar-15 £ |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Other taxation and social security | 0 | 0 |
| Trade payables | 1,410 | 0 |
| Other payables | 792 | 58,247 |
| Deferred Income | 6,850 | 0 |
| Accruals | 219,579 | 638,332 |
| | <u>228,631</u> | <u>696,579</u> |

Amounts falling due after more than one year:

There are no creditors falling due after one year.

11. Commitments under leases

Operating leases

11.1 Operating Lease Payments

Commitments under operating leases to pay rentals during the year following the year of these accounts are given below, analysed according to the period in which the lease expires.

| Total future minimum lease payments | | | 31-Mar-16 | 31-Mar-15 |
|---|------------------|--------------|------------------|------------------|
| | Buildings £ | Other £ | Total £ | Total £ |
| Payable: | | | | |
| Not later than one year | 215,460 | 3,086 | 218,546 | 219,207 |
| Later than one year not later than five years | 861,840 | 1,029 | 862,869 | 868,012 |
| Total | <u>1,077,300</u> | <u>4,115</u> | <u>1,081,415</u> | <u>1,087,219</u> |

12. Contingent liabilities

A contingent liability is possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more certain future events not wholly within the control of the HTA or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

A contingent liability is disclosed unless the possibility of a payment is remote. Under the terms of our MOTO with BIS for our accommodation, rent was subject to a review on 1 April 2015. As at April 2016, BIS have not charged increased rent, nor has a revised figure been agreed and it is questionable whether revised rent can now be backdated until 1 April 2015. We disclose this as a contingent liability.

13. Related party transactions

The DH is regarded as a related party and had various transactions totalling £951,139 with the HTA during the year. This mainly related to grant-in-aid and £47,139 for the provision of Internal Audit Services. Of this £8,430 are accruals. At 31 March 2016 the HTA owed the DH £8,430 and the DH owed the HTA £Nil.

The HTA has also had material transactions with other entities for which the DH is regarded as the parent department:

NHSBT – transactions totalled £162,181 (2014/15 £191,014) and were fees for the provision of licences in the human application and post mortem sectors and invoices for the provision of assisted functions to the HTA. The balance outstanding as at 31 March 2016 was £Nil (2014/15 £Nil for licence fees paid).

The NHSLA occupy part of our office space and had transactions totalling £102,514 (2014/15 £98,904).

HFEA - transactions totalled £128,272 (2014/15 £88,671) and were mainly for fees charged for three seconded staff during this financial year.

The HTA has also had material transactions with the Department for Business, Innovation and Skills (BIS) throughout the year.

During 2015/16 no Authority Member or senior manager or other related parties undertook any material transactions with the HTA.

14. Events after the reporting period

In accordance with the requirements of International Accounting Standard 10, reports after the accounting period are considered up to the date the accounts are authorised for issue. This is interpreted as the date of Certificate and Report of the Comptroller and Auditor General.

The Accounting Officer authorised these statements for issue on 29 June 2016.

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