

HTA (Human Tissue Authority) Policy Reserves Policy

# Purpose

1. The purpose of this policy is to ensure that both the Executive and Board of the Human Tissue Authority are aware of the minimum level at which reserves need to be maintained and the reasons for doing so.

# Principle

1. An organisation should maintain enough cash reserves to continue business operations on a day-to-day basis and in the event of unforeseen difficulty. It is best practice to implement a reserves policy in order to guide key decision- makers.

# Reserves Policy

1. The HTA has a reserves policy as this demonstrates:
   1. transparency and accountability to licence fee payers and the Department of Health.
   2. good financial management.
   3. justification of the amount it has decided to keep as minimum reserves.
2. The following factors have been considered in setting this reserves policy:
   1. risks associated with its two main income streams, licence fees and Grant-in-aid, differing during the year from the levels budgeted.
   2. likely variations in regulatory and other activity both in the short term and in the future.
   3. the HTA’s known and likely commitments.
3. The policy requires reserves to be maintained at a level that ensures the HTA’s core operational activities continue on a day-to-day basis and, in a period of unforeseen difficulty, for a suitable period (refer to para 10 and 11).

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# Cashflow

1. To enable sufficient cover for day-to-day operations, a cash flow forecast is prepared at the start of the financial year which takes into account the timing of when receipts are expected, and payments are to be made. Cash reserves are needed to ensure sufficient working capital is available throughout the year.
2. Normally the HTA experiences negative cash flow (more payments than receipts) in the months July to August and again from December to March. Based upon our current forecast cash flow, the profile detailed above still largely remains and we are forecasting an increase in the level of reserves, primarily due to an increase in activity.
3. The HTA is also mindful of the financial risks it faces, in particular that we may be required to undertake additional activities not planned or make additional spend not costed within budget. While every effort would be made to cover costs within the budget allocated for the year, it may be necessary to use reserves to meet the cash flow needs arising from additional necessary spend.
4. Funds of £0.9m are required to provide for adequate cash flow which has not been amended from previous years..

# Unforeseen difficulty

1. The level of reserves required for unforeseen difficulty is based on two elements: salaries (including employer on-costs) and the cost of accommodation. These are deemed to be fixed costs that would have to be paid in times of unforeseen difficulty with all other elements of HTA’s running costs being regarded as semi-variable or variable costs and thus excluded from this calculation. These two areas represent **78%** of the HTA’s total annual budget.
2. The certainty and robustness of HTA’s key income streams and the predictability of fixed costs, as well as the relationship with our sponsor, DHSC (Department of Health and Social Care), indicate that 2 months’ salary and accommodation costs is a prudent, but sufficient, minimum level of reserves to hold.
3. Based on the HTA’s 2023/24 revenue budget, the combined monthly cost of salaries and accommodation is around **£331k**. A reserve of two months would therefore be **£663k (rounded to £660k)**

# Minimum reserves

1. The HTA’s minimum level of reserves for 2024/25 will be maintained at a level that provides £660k for unforeseen difficulty and meets the cash flow volatility requirement of £0.9m. The minimum cash reserves required for 2024/25 is therefore calculated as £1.6m. These reserves will be always in a readily realisable form.
2. Bi-annually the level of reserves will be reviewed by the Director of Resources as part of the HTA’s ongoing monitoring of its cash flow.
3. Each autumn as part of the HTA’s business planning and budget setting process, the required level of reserves for the following financial year will be reassessed.
4. In any assessment or reassessment of its reserves policy the following will be borne in mind:
   1. the level, reliability, and source of future income streams.
   2. forecasts of future planned expenditure.
   3. any change in future circumstances - needs, opportunities, contingencies, and risks – which are unlikely to be met out of operational income.
   4. an identification of the likelihood of such changes in these circumstances and the risk that the HTA would not be able to meet them.
5. The HTA will include in its annual report and accounts a short statement about the level of reserves held and the reasons for holding these.
6. HTA’s reserves policy will be reviewed annually by the Audit and Risk Assurance Committee.

**Revision history**

**Reference: HTA-POL-049**

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**Distribution:** HTA SMT (Senior Management Team) and the Board

**Protective Marking:** OFFICIAL

* (18/09/20 / Version 15.6: Reviewed and no changes were made)
* (26/08/21 / Version:16.0: Reviewed with changes to amount for unforeseen difficulty)
* (09/09/22 / Version:16.1: Reviewed and no changes were made)
* (15/09/23 / Version:16.2: Reviewed, change of frequency of review by DoF amended to bi-annually and increase in reserves to £1.6m).