

Annual report and accounts

2014/15

Human Fertilisation and Embryology Authority (HFEA)

Annual report and accounts 2014/15

Presented to Parliament pursuant to sections 6 and 7 of the Human Fertilisation and Embryology Act 1990 as amended by paragraph 3 of schedule 7 of the Human Fertilisation and Embryology Act 2008.

Ordered by the House of Commons to be printed on 25 June 2015.



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Print ISBN: 9781474118453

Web ISBN: 9781474118460

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office.

ID 13051431 06/15

Printed on paper containing 75% recycled fibre content minimum.

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1

Strategic report

Strategic report

About the HFEA

Who we are

The HFEA is the regulator of fertility treatment and human embryo research in the UK. Our role includes setting standards for clinics, licensing them, and providing a range of information for the public, particularly people seeking treatment, donor-conceived people and donors.

How we work

Our strategy for 2014–2017 sets out our ways of working, which are as follows:

- We will make the quality of care experienced by patients, donors and donor-conceived people our central priority and the primary consideration in our decision making.
- We will consult and collaborate widely – listening to, and learning from, those with an interest in what we do.
- We will communicate more with stakeholders before making decisions and explain those decisions more clearly.
- We will take the time to implement decisions with appropriate stakeholder involvement, piloting new initiatives when appropriate.
- We will keep abreast of scientific and clinical innovations and actively consider what these might mean for the future quality of care.
- We will be a more agile and flexible organisation, changing course if needed in order to be responsive (both to stakeholders and to new priorities).
- We will continue to exercise our statutory functions consistently, proportionately, openly and fairly.
- We will observe the highest standards of integrity and professionalism in putting into effect the law as we govern the fertility sector.
- We will continue to treat people and their information with sensitivity, respect and confidentiality.

Our legislation and functions

The following information is provided to give a complete picture of our purpose and core functions, which are defined in law by the following two acts of Parliament:

- the Human Fertilisation and Embryology Act 1990 (as amended) – generally referred to as ‘the 1990 Act (as amended)’, and
- the Human Fertilisation and Embryology Act 2008 (‘the 2008 Act’).

The 2008 Act primarily amended legislation. It extensively amends the provisions of the 1990 Act, which continues to form the main framework governing our duties and responsibilities. However, the 2008 Act also contained new provisions which were not included in the 1990 Act. In particular, these include provisions relating to legal parenthood.

The 1990 Act (as amended) gives us a number of statutory functions, namely to:

- license and inspect clinics carrying out in vitro fertilisation (IVF) and donor insemination treatment

- license and inspect establishments undertaking human embryo research
- license and inspect the storage of eggs and sperm (gametes) and embryos
- ensure, where a licensed clinic makes use of an external service which does not hold an HFEA licence, that there is a third party agreement in place which is in accordance with any licence conditions imposed by us, for the purpose of securing compliance with the requirements of technical directives under which the third party procures, tests or processes eggs, sperm and/or embryos on behalf of the licence holder, or supplies to them goods or services which may affect the quality or safety of eggs, sperm and/or embryos
- produce and maintain a Code of Practice, providing guidance to clinics and research establishments about the proper conduct of licensed activities
- keep a formal register of information about donors, treatments and children born as a result of those treatments
- maintain a formal register of licences granted
- maintain a register of certain serious adverse events or reactions (this relates to certain specific activities, which are set out in the 1990 Act (as amended))
- investigate serious adverse events and serious adverse reactions and take appropriate control measures
- respond to any request from a competent authority in another European Economic Area (EEA) state to carry out an inspection relating to a serious adverse event or reaction and to take any appropriate control measures
- collaborate with the competent authorities of other EEA states.

In addition to these specific statutory functions, the legislation also gives us some more general functions, including:

- promoting compliance with the requirements of the 1990 Act (as amended), the 2008 Act and the Code of Practice
- maintaining a statement of the general principles that we should follow when conducting our functions and by others when carrying out licensed activities
- observing the principles of best regulatory practice, including transparency, accountability, consistency, and targeting regulatory action where it is needed
- carrying out our functions effectively, efficiently and economically
- publicising our role and providing relevant advice and information to donor-conceived people, donors, clinics, research establishments and patients
- reviewing information about:
 - human embryos and developments in research involving human embryos
 - the provision of treatment services and activities governed by the 1990 Act (as amended)
- advising the Secretary of State for Health on developments in the above fields, upon request.

We also function as one of the two UK competent authorities for the European Union Tissues and Cells Directive (EUTCD). This directive regulates the donation, procurement, testing, processing, preservation and distribution of human tissue and cells for human application.

Strategic review

This section outlines our objectives and how we have worked to achieve these in 2014/15.

1. Ensuring high quality, safe care for patients

Objective: to support the sector to provide high quality, safe care with the best possible outcomes, through policies and services that address the needs of patients, donors and donor-conceived people while also ensuring the effective delivery of statutory functions.

Achievements

- **Improving the quality and safety of care through our regulatory activities**

Our strategic vision puts the quality of care that patients receive in clinics, and the way in which clinics and we respond to incidents and complaints, centre stage. That vision is both informed by what is important to patients undergoing fertility treatment and wider concerns within the health and care sector, as set out in the report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (the Francis report) and elsewhere.

We continued to carry out our core inspection and licensing activities, to monitor the performance of clinics, and to deal with incidents and complaints about clinics. We monitored performance against the multiple births maximum target of 10% introduced in October 2012, to reduce the associated risks for patients and children born as a result of fertility treatment. We published a report on clinical incidents that had taken place between 2010 and 2012, and a further report on incidents in 2013, and began a dialogue with the sector about how best to learn from incidents and adverse events.

We supported the Parliamentary decision-making process regarding mitochondrial donation by completing a third scientific review of the safety and efficacy of this new treatment and giving extensive policy and licensing advice for the draft regulations. In February 2015, Parliament voted in favour of allowing mitochondrial donation in UK law for the first time anywhere in the world. As a result, towards the end of the business year we began work on the required application and licensing procedures so that we will be ready to implement the new legislation when it comes into effect from 29 October 2015.

- **Improving the lifelong experience for donors, donor-conceived people, patients using donor conception, and their wider families**

Lifecycle is a campaign that aims to find new ways of improving sperm and egg donation in the UK. We continued to support this campaign by producing a range of information about donor conception.

As described earlier in this report, we are legally required to keep a secure database of information about donors, treatments and children born as a result of

those treatments. This database is known as 'the Register'. This year we continued to provide timely information from the Register for those who are entitled to it and also began to develop arrangements for additional support for donors, donor-conceived people and parents applying for information from it.

We also began to explore, through consultation and collaboration, what we (or others) could do to collect and publish more information about the availability of donor sperm and eggs in the UK. We also worked with clinics to improve consent when sperm and eggs are stored.

2. Increasing and informing choice

Objective: to improve the effectiveness of the information we hold, collect and provide, by reviewing our forms, validation rules and verification procedures, reviewing the Choose a Fertility Clinic function, and increasing the transparency of publishable information.

Achievements

- **Using data in the Register to improve outcomes and research**

We carried out detailed planning and consultation focused on modernising our information collection processes and the Register through a major programme of work known as Information for Quality (IfQ). This work, which will continue throughout 2015/16, will simplify the submission of outcome data from clinics, reduce the amount of information collected, and improve the regime for data validation, correction and verification. The aim is to minimise the amount of time clinics have to spend on satisfying regulatory requirements, giving them more time to spend on patient care.

We have continued to provide information about clinics and the outcomes of treatments they provide on our online tool, Choose a Fertility Clinic (CaFC). Alongside this, we began a review of CaFC to determine how it could be made easier to use to improve patient choice.

We also continued to respond to researchers' requests for access to data in our Register of Treatments and Outcomes.

- **Ensuring patients have access to high quality information**

We began to explore how patients' views could better inform our work. Over time, we plan to develop more ways of ensuring we can more effectively engage with, and provide information to, patients as an integral part of our ways of working.

We established a major review of our website, under the IfQ programme, which will be completed in 2015/16. We also continued to produce a number of publications, describing and analysing statistical and other information from our Register.

3. Managing change and providing best value

Objective: to ensure the organisation and its staff are equipped to deliver, while continuing to seek efficiencies and increase the value we offer as a public body.

Achievements

- **Ensuring we are good value for the public, the sector and Government**

We continued to seek out savings and efficiencies where possible to offer the best possible value to the public and patients, the clinics we regulate, and our Government sponsors.

Our planning of the IfQ programme has included setting out a detailed business case and implementation plan of how we will modernise our Register function and processes, improving the way we collect, use and publish information. This work will ultimately offer increased efficiency both within the HFEA and at clinics.

While that work progressed, we also continued to maintain all of the internal systems, tools and processes that assist our regulatory efficiency and quality. We continued to respond to requests for access to information we hold and to publish required data through the data.gov.uk Government website.

We continued to work collaboratively with other arms length bodies (ALBs) and regulators. Following considerable savings made in the previous four years, we continued to maintain a focus on efficiency, while still ensuring we maintained the level of resources and the types of skills needed to deliver our work.

We completed our implementation of the recommendations in the 2013 McCracken review, through continued shared services arrangements with the Human Tissue Authority (HTA), Care Quality Commission (CQC) and others, and through setting up a Fees Group to increase accountability and transparency of the fees we charge clinics.

Performance indicators 2014/15

| Performance indicators | Target 2014/15 | Performance 2014/15 |
|---|--|---|
| A. Compliance | | |
| Average number of working days taken for the whole licensing process, from the day of inspection to the decision being communicated to the centre | 70 working days or less | 67.7 working days |
| Percentage of PGD applications processed within three months (66 working days) | 100% | 91% ¹ |
| B. Communication and information | | |
| Opening the Register requests responded to within 20 working days | 100% | 100% (260 requests) |
| Requests for contributions to Parliamentary questions (PQs) answered within Department of Health deadlines | 100% | 94% ² (128/136 PQs within deadline) |
| C. Corporate | | |
| Staff sickness absence rate (%) | Under 3.0% | 1.7% |
| Cash and bank balance | To continue to move further towards the Department of Health's agreed minimum cash reserve of £1.52m | £2.02m at year end (from £2.80m at start of year) |
| Percentage of invoices paid within 10 calendar days | 70% | 87% |
| Debts collected within 60 calendar days | 85% | 85% |

¹ In April 2014, we changed our performance target for PGD application processing times from 90% processed within four months to 100% processed within three months. During the year, there were some large and complex PGD applications for conditions with multiple types. These took longer to process, which has affected the annualised performance figure. However, for almost all applications we are meeting our new target.

² There was a large increase in the volume of PQs in certain months, mainly reflecting interest in our work to support the Parliamentary decision-making process in relation to treatment using new mitochondrial donation techniques.

Risks and uncertainties as at 31 March 2015

Below are the main risks we face that, should they occur, would have the greatest material effect on the functioning of the HFEA as a whole.

By considering such risks, we can assess the continuing viability of our strategy and business plan against changes in circumstance, and make adjustments when necessary. This does not mean we expect the risks to materialise – instead it indicates that these are areas of risk of which we need to be aware and to consider our response to in order to perform our role effectively.

Further information on our approach to managing strategic risks can be found in the annual governance statement (p37).

| Risk area | Main strategic risks monitored | Related strategic theme |
|----------------------------|---|--|
| Regulatory model | Quality and safety of care | Setting standards: quality and safety |
| | Loss of regulatory authority | |
| IfQ programme | Improved information access | Increasing and informing choice: information |
| | Register data | Increasing and informing choice: Register data |
| | Delivery of promised efficiencies | Efficiency, economy and value |
| Data | Data loss or breach | Efficiency, economy and value |
| | Incorrect data released | |
| Donor conception | Inaccuracy in response to an 'Opening the Register' (OTR) request | Setting standards: donor conception |
| | Support for OTR applicants | |
| Financial viability | Income and expenditure | Efficiency, economy and value |
| Capability | Knowledge and capability | Efficiency, economy and value |
| Legal challenge | Resource diversion | Efficiency, economy and value |

Financial review

We are funded from two main sources:

- licence and treatment fees from the establishments we licence (81%), and
- grant-in-aid from the Department of Health (18%).

68% of our expenditure is on staff costs. Our other administrative costs include spend on our IfQ programme (10% of total spend), legal costs (8%) and facilities expenses (6%).

Summary position as at 31 March 2015

| | 2014/15 | 2013/14 |
|--|----------------|--------------|
| | £'000s | £'000s |
| Expenditure | | |
| Staff costs | 3,900 | 3,623 |
| General administrative costs | 1,816 | 1,405 |
| Total expenditure | 5,716 | 5,028 |
| | | |
| Income | | |
| Licence fees | 4,035 | 4,123 |
| Other income | 53 | 72 |
| Total income | 4,088 | 4,195 |
| | | |
| Net (expenditure)/income before interest, tax and extraordinary items | (1,628) | (833) |

Our financial results are included in the accounts on pages 44 to 47 and show that there was a deficit arising after interest, tax and exceptional items of £1,623,175 (2013/14: a deficit of £827,340).

The Department of Health provided grant-in-aid towards resource expenditure of £920,000 (2013/14: £988,262) and £nil towards the purchase of fixed assets (2013/14: £30,000). This financing reduces the in year deficit to £703,175.

The deficit is funded by our accumulated reserves. The IfQ programme, which is funded from accumulated reserves, cost £564,500 (2013/14 £238,964).

Income from fees charged to clinics was £4,035,493 (2013/14: £4,123,376). This decrease of 2% is mainly due to the increase in elective single embryo transfers where subsequent transfers are not chargeable.

Expenditure on staff costs was £3,900,520 (2013/14: £3,622,918). The increase of 7.6% reflects the inclusion of contingent labour costs relating to our IfQ project and the restructuring of the Authority and staffing changes. Other expenditure, excluding capital costs, was £1,754,678 (2013/14: £1,311,317) – an increase of 34%. The majority of the increase was IfQ spend and professional (legal) fees also increased in 2014/15.

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.

Supplier payments

We aim to pay all undisputed invoices in accordance with suppliers' terms of payment, which are usually within 30 days. During the financial year 2014/15, we settled 99% of all invoices received within 30 days (£2,380,042 in value), whilst 87% of invoices received were paid within 10 days.

We bill clinics promptly and at the end of the year 85% of debts had been collected within 60 days.

Our staff

Resources

We have gradually reduced our staff complement over the past several years – from 86 in 2010/11 to 67 by the end of the 2014/15 financial year – by continuing to make efficiencies and to share services where feasible.

Recruitment

We have, like other public bodies, been subject to a recruitment freeze over the past four years. Within that freeze we have the ability, under delegated responsibility, to re-appoint to posts designated 'front-line' and/or business critical. All appointments are made in accordance with our recruitment and selection policy (revised April 2014). The aim is to ensure that all appointments of staff are made on the basis of merit and in accordance with equal opportunities.

Learning and development

We actively promote the development of our staff and encourage all staff to take up their entitlement to five days a year learning. We subscribe to Civil Service Learning, a service which provides courses and resources for developing skills common to all UK civil servants. This supports a blended approach to learning which is also convenient and cost-effective. Individual needs are set out in personal development plans and are met through appropriate means, including e-learning, face-to-face learning and taking part in projects, coaching and job shadowing.

Staff engagement and wellbeing

We promote staff engagement through various channels including all staff and team meetings, the Staff Forum and ad hoc working groups. Staff surveys ensure a more formal feedback mechanism to obtain and respond to staff feedback. All staff have access to an employee assistance provider for confidential advice and support if necessary.

End of service

Staff may access their Civil Service pension from the age of 60 (65 for those in the Nuvos scheme). However, some staff may wish to work beyond this age.

Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Disabled employees

In 2007/8 we achieved ✓✓ ‘positive about disabled people’ disability symbol status. We have a specific policy of inviting to interview any candidate with a disability who meets essential criteria. Support is provided for all staff who have, or develop, a disability including making any reasonable adjustments to the workplace or work processes and having advice available through the occupational health service.

Equality Act 2010 – equality and diversity on pay

We remain compliant with the requirements of the Equality Act 2010 and there is an equality champion on the Authority (our board of directors and appointed members). We collectively continue to ensure, throughout the year, that we fulfil our obligations under the Equality Act.

All posts are systematically evaluated, against a formal job evaluation scheme ‘Paypoints II’, aiming to ensure that salaries are internally consistent, fair and equitable.

Our gender breakdown at 31 March 2015, of Authority members, permanent and seconded staff, is as follows:

| | Male | Female | Total |
|---|------|--------|-------|
| Authority members | 5 | 7 | 12 |
| Senior Management Team (SMT) | 2 | 2 | 4 |
| All staff (including SMT, excluding Authority) | 24 | 43 | 67 |

Social, community, sustainability, human rights and environmental issues

We are sub-tenants of a larger Department of Health organisation, the Care Quality Commission (CQC), in Finsbury Tower.

We collaborate with the CQC on health and safety services in Finsbury Tower. We have adopted the CQC’s online system for individual workplace assessment and follow the CQC lead on fire evacuation procedures and fire warden liaison.

We recycle paper, card, glass, plastic cups, containers and bottles, metal cans and toner cartridges. There are two multi-function devices (for secure printing, scanning and photocopying) that are pre-set to print on both sides of the paper and in black and white. IT equipment is re-used and working lives extended where possible, and is switched off when not in use. Surplus equipment is either sold or donated. Many staff are enabled to work from home, reducing the impact on the environment.

We are aware of the green agenda in relation to procurement and we use the Crown Commercial Service and other frameworks which have sustainability factored in.

Accounts direction

The statement of accounts which follows is prepared in a form directed by the Secretary of State for Health dated 18 June 2007, in accordance with section six of the 1990 Act (as amended).

Disclosure of information to our auditors

Our Chief Executive has been designated as the Accounting Officer for the organisation. The Accounting Officer has taken all the steps that are necessary to make himself aware of any relevant audit information and to establish that our auditors – the National Audit Office (NAO) – are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the NAO is unaware.

Authority statement

Our Senior Management Team, the Audit and Governance Committee and the Authority have reviewed the annual report and accounts. I confirm that they are fair, complete and understandable and provide the information necessary for stakeholders to assess our performance.

Mr Peter Thompson
Chief Executive
Accounting Officer

15 June 2015

2 Directors' report

Directors' report

Our board (the Authority)

Our board is made up of executive directors and appointed members. Authority members during 2014/15 are set out below. Biographies for each can be found on our website.

| Authority member | Appointment start date | Appointment end date |
|---------------------------------|------------------------|----------------------|
| Sally Cheshire (Chair) | 7 November 2006 | 31 March 2017 |
| David Archard (Deputy Chair) | 1 November 2005 | 31 October 2015 |
| Rebekah Dundas | 1 January 2007 | 31 December 2015 |
| Hossam Abdalla | 1 October 2004 | 30 October 2014 |
| Andy Greenfield | 9 November 2009 | 31 December 2015 |
| Susan Price | 1 February 2006 | 31 January 2016 |
| Lee Rayfield | 23 April 2012 | 22 April 2015 |
| Alan Thornhill | 9 November 2009 | 31 December 2015 |
| Kate Brian | 12 November 2014 | 11 November 2017 |
| Anthony Rutherford | 12 November 2014 | 11 November 2017 |
| Gemma Hobcraft | 1 September 2008 | 31 March 2015 |
| Debbie Barber | 1 September 2008 | 31 March 2015 |
| Jane Diblin | 1 September 2008 | 31 March 2015 |

The remuneration levels of Authority members are set nationally. Revisions are made in accordance with the agreement on the pay framework for arm's length body (ALB) chairs and non-executive directors, announced in March 2006. We implement the revisions when instructed.

No pension contributions were paid on behalf of any Authority member during 2014/15.

Senior Management Team

Our Chief Executive and directors during 2014/15 are set out below.

| | | |
|--|--|--|
| Peter Thompson Chief Executive | | |
| HR Legal | | |
| Sue Gallone¹ Director of Finance and Resources | Juliet Tizzard Director of Strategy and Corporate Affairs | Nick Jones Director of Compliance and Information |
| Budgeting Accounting Financial control Audit and risk assurance Facilities | Governance and licensing Regulatory policy Engagement and communications Business planning and programme management | Inspection and clinical governance Business support Information and the Register Development and analysis |

¹Sue Gallone is employed by the Human Tissue Authority (HTA) and is seconded to the HFEA for 2.5 days per week.

In addition, Mark Bennett was employed as Director of Finance and Facilities until 31 May 2014.

Interests of Authority members and senior staff

We maintain a register of interests which is available on our website at www.hfea.gov.uk/Authority-members.html.

Sickness and absences

Our sickness absence aim is to lose no more than 3% of time in staff sickness absence and in 2014/15 we achieved 1.7%. The public sector sickness absence rate average is eight days lost per person per year. This translates to a public sector sickness absence rate of 3.5% (IRS Survey 2011).

Off-payroll assurance statement

We have not entered into any off-payroll engagements during the 2014/15 financial year (2013/14 nil).

Data incidents

Arrangements for data security and any personal data-related incidents are set out in the annual governance statement.

Pensions

Pension benefits are mainly provided by the Principal Civil Service Pension Scheme (PCSPS). We recognise the contributions payable for the year. Full details of the pension scheme are included in the remuneration report and in note 1.7 of the accounts.

Cost allocation and charging

We certify that we have complied with HM Treasury's guidance on cost allocation and the setting of charges.

Our auditors

The Comptroller and Auditor General is appointed by statute to audit us.

The fees of the National Audit Office are set out in note four to the accounts. No fees were incurred for non-audit work.

Disclosure of information to our auditors

I have taken all the necessary steps to make myself aware of any relevant audit information, and to establish that our auditors, the National Audit Office (NAO), are aware of that information. So far as I and the other directors are aware, there is no relevant audit information of which the NAO is unaware.

Mr Peter Thompson
Chief Executive
Accounting Officer

15 June 2015

3

Remuneration report

Remuneration report

Reward systems and approval mechanisms for staff

Our remuneration recommendations are based on the Civil Service pay guidance issued annually by HM Treasury.

Pay awards were made to eligible staff in 2014/15 in accordance with the Government limit of 1% of the total pay-bill. This is the same as the previous year. Pay levels are reviewed annually through the Remuneration Committee, which has specific responsibility to monitor overall levels of remuneration and to approve the remuneration of the Chief Executive and the directors (see below).

Duration of contracts, notice periods and termination payments

Members of staff in bands one (assistant grade) and two (officers) have six weeks' notice of termination of their contracts. Members of staff in band three (managers) and above have three months' notice of termination of their contracts. Termination payments are made only in appropriate circumstances. In cases where gross misconduct has occurred, no termination payments are made.

Authority members

The remuneration levels of Authority members are set nationally and are summarised in the table below. Revisions are made in accordance with the agreement on the pay framework for arms length body chairs and non-executive directors, announced in March 2006. We implement the revisions when instructed.

No pension contributions or bonuses were paid on behalf of any Authority member in 2014/15.

Remuneration and benefits to Authority members for the year ending 31 March 2015

| Name | Remuneration band (£'000) | Remuneration band (£'000) | Benefits in kind (to the nearest £100) | Benefits in kind (to the nearest £100) | Total | Total |
|---------------------------------------|---------------------------|---------------------------|--|--|---------|---------|
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| | £ | £ | £ | £ | £ | £ |
| Sally Cheshire | 45-50 | 20-25 | 12,200 | 8400 | 55-60 | 30-35 |
| Anthony¹ Rutherford | 0-5 | N/a | 500 | N/a | 0-5 | 0 |
| David Archard | 5-10 | 5-10 | 7,600 | 6,500 | 15-20 | 10-15 |

| Name | Remuneration band (£'000) | Remuneration band (£'000) | Benefits in kind (to the nearest £100) | Benefits in kind (to the nearest £100) | Total | Total |
|-----------------------------------|---------------------------|---------------------------|--|--|---------|---------|
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| Debbie Barber | 5-10 | 5-10 | 1,000 | 1,200 | 5-10 | 5-10 |
| Jane Dibblin | 5-10 | 5-10 | 0 | 0 | 5-10 | 5-10 |
| Rebekah Dundas | 10-15 | 5-10 | 8,400 | 6,000 | 20-25 | 10-15 |
| Andy Greenfield | 5-10 | 5-10 | 2,300 | 1,500 | 10-15 | 5-10 |
| Gemma Hobcraft | 5-10 | 5-10 | 0 | 0 | 5-10 | 5-10 |
| Susan Price | 5-10 | 5-10 | 3,000 | 1,700 | 10-15 | 5-10 |
| Alan Thornhill | 5-10 | 5-10 | 0 | 0 | 5-10 | 5-10 |
| Lee Rayfield | 5-10 | 5-10 | 1,600 | 1,500 | 5-10 | 5-10 |
| Kate Brian¹ | 0-5 | N/a | 0 | N/a | 0-5 | N/a |
| Hossam Abdalla¹ | 0-5 | 5-10 | 0 | 0 | 0-5 | 5-10 |

¹ Members who joined/left part way through the year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by us and treated by HMRC as a taxable emolument. We have agreed a PAYE settlement agreement (PSA) with HMRC in regards to taxable emoluments of Authority members and some of our compliance staff, for the travel, accommodation, meals and subsistence for which we pay the tax and national insurance due. Benefits in kind have been shown net of tax and national insurance.

Information regarding travel and subsistence claimed by Authority members and senior management is published on our website www.hfea.gov.uk.

Appeals Committee

The Appeals Committee Chair receives a fee of £273 per day. The Deputy Chair receives a fee of £208 per day and the committee's members receive a fee of £190 per day. No pension contributions were paid on behalf of any Appeals Committee member.

No payments were made to the Chair of the Appeals Committee, Mr Jonathan Watt-Pringle, or to the Deputy Chair of the Appeals Committee, Ms Hilary Newiss, during the year.

Chief Executive and directors

The Chief Executive's pay is set in accordance with the recommendation of the Chair, subject to the review of the Remuneration Committee and with the agreement of the Department of Health. This is in accordance with the Department of Health pay

framework for very senior managers in ALBs, informed by the Senior Staff Salaries Review Board.

Remuneration of the directors must be approved by the Remuneration Committee and is based on proposals received from the Chief Executive, in accordance with the Department of Health pay framework for very senior managers in ALBs.

The members of the Remuneration Committee during the year were Mrs Sally Cheshire (Chair), Ms Gemma Hobcraft and Ms Rebekah Dundas.

Remuneration and pension entitlements

The Government financial reporting manual (FReM) requires us to provide information on the remuneration and pension rights of the named individuals who are our most senior managers.

The following tables provide details of the remuneration and pensions of the Chief Executive and directors. These figures are subject to audit.

| Remuneration and pension benefits | | | | | | | | | | |
|--|------------------------------------|----------------------------------|------------------------|---------|------------------------------------|---------|---------------------------------------|---------|------------------------------------|----------------------------------|
| Name | Salary (£'000) | | Bonus payments (£'000) | | Benefits in kind (to nearest £100) | | Pension benefits (£'000) ¹ | | Total (£'000) | |
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| Peter Thompson Chief Executive | 135-140 | 135-140 | 0-5 | 5-10 | 0 | 0 | 35 | 50 | 170-175 | 190-195 |
| Sue Gallone [2] Director of Finance and Resources | 45-50 (full year equivalent 90-95) | 0-5 (full year equivalent 90-95) | N/A | N/A | N/A | N/A | N/A | N/A | 40-45 (full year equivalent 90-95) | 0-5 (full year equivalent 90-95) |
| Mark Bennett [3] Director of Finance and Facilities | 30-35 | 95-100 | 0 | 0 | 0 | 0 | 10 | 22 | 40-45 | 115-120 |
| Nick Jones Director of Compliance and Information | 95-100 | 95-100 | 0 | 0 | 0 | 0 | 36 | 36 | 130-135 | 130-135 |
| Juliet Tizzard Director of Strategy and Corporate Affairs | 85-90 | 75-80 | 0 | 0 | 0 | 0 | 42 | 34 | 125-130 | 110-115 |

[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). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

[2] Sue Gallone was appointed Director of Finance and Resources from 3 March 2014 and is employed by the HTA and 50% of her costs are charged to us.

[3] Mark Bennett stood down as Director of Finance and Facilities as of 31 May 2014. Mr Bennett's remuneration includes payment in lieu of notice. Please refer to note 3.1 in the accounts for details.

The pension entitlements of the most senior managers in the HFEA during the period are outlined below.

| Name and position | Real increase in pension age 60 | Real increase in lump sum | Total accrued pension at age 60 at 31 March 2015 | Related lump sum at 31 March 2015 | CETV at 1 April 2014 | CETV at 31 March 2015 | Real increase in CETV as funded by HFEA |
|--|---------------------------------|---------------------------|--|-----------------------------------|----------------------|-----------------------|---|
| | Band | Band | Band | Band | Band | Band | Band |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Peter Thompson Chief Executive | 2.5-5 | 0-2.5 | 45-50 | 0-5 | 660 | 724 | 25 |
| | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 |
| | 2.5-5 | 0-2.5 | 40-45 | 0-5 | 581 | 660 | 35 |
| Mark Bennett Director of Finance and Facilities | 0-2.5 | 0-2.5 | 5-10 | 0-5 | 160 | 169 | 9 |
| | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 |
| | 0-2.5 | 0-2.5 | 5-10 | 0-5 | 127 | 160 | 18 |
| Sue Gallone Director of Finance and Resources | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 |
| | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Nick Jones Director of Compliance and Information | 0-2.5 | 0-2.5 | 10-15 | 0-5 | 103 | 135 | 18 |
| | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 |
| | 0-2.5 | 0-2.5 | 5-10 | 0-5 | 73 | 103 | 18 |
| Juliet Tizzard Director of Strategy and Corporate Affairs | 0-2.5 | 0-2.5 | 5-10 | 0-5 | 81 | 116 | 23 |
| | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 | 2013/14 |
| | 0-2.5 | 0-2.5 | 5-10 | 0-5 | 66 | 81 | 5 |

Revised assessment for CETV figures at 1/4/2014 were received by HFEA's pension provider and updated in this table.

All senior managers are employed on a permanent basis (except Sue Gallone who is employed by the HTA and seconded for half of her time to us) and are covered by the terms of the Principal Civil Service Pension Scheme.

Median pay and multiples

| | 2014/15 | 2013/14 |
|--|-------------|-------------|
| Band of highest paid director's total remuneration | £135k-£140k | £140k-£145k |
| Band of highest paid director's gross salary only | £135k-£140k | £135k-£140k |
| Median total remuneration | £36,360 | £36,724 |
| Ratio – total remuneration | 3.8 | 3.9 |
| Ratio – gross salary only | 3.7 | 3.7 |

The FReM reporting requirements require public sector bodies 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. The higher remuneration stated relates to total remuneration, the lower to gross salary only, and excludes any other payments. The gross salary only and related ratio show a fairer position for year-on-year comparison.

There has been very little movement in this ratio due to staff changes offsetting slight salary increases.

We are a London-based small expert organisation whose work requires scientific and other professional or graduate-level skills. Consequently, median pay remains higher than that for a number of other public sector bodies.

Definitions

'Salary' includes gross salary, performance pay or bonuses and any other allowance that is subject to UK taxation.

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

'Benefits in kind' covers the monetary value of any benefits provided by the employer.

This report is based on payments made by us and thus recorded in these accounts.

Civil Service Pensions

As per 2001 Statutory Instrument No.1587, our staff were conditionally admitted to the Principal Civil Service Pension Scheme (PCSPS) as from 1 April 2000, transferring from our by-analogy scheme.

The PCSPS is an unfunded multi-employer defined benefit scheme but we are unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007 by the then Scheme Actuary Aon Hewitt (formerly Hewitt Bacon & Woodrow). Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, staff may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium, or Classic Plus) or a 'whole career' scheme (Nuvos).

The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased in line with pensions increase legislation. New entrants joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions were set at rates ranging from 1.5% to 3.9% of pensionable earnings for Classic and rates ranging from 3.5% to 5.9% for Premium, Classic Plus and Nuvos. Increases to employee contributions apply from 1 April 2013. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service.

In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum.

Classic Plus is essentially a hybrid, with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as per Premium. In Nuvos, a member builds up their pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is that which the member is entitled to receive when they reach pension age, or immediately upon ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium, and Classic Plus and 65 for members of Nuvos.

For 2014/15, employer's contributions of £496,298 were payable to the PCSPS in respect of staff directly employed by us (2013/14: £515,463) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. In 2015/16 the rates will be in the range 20.0% to 24.5%. The contribution rates are set to meet the cost of benefits accrued during 2014/15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2014/15, Partnership Pension Account employer's contributions of £9,458 were payable in respect of staff directly employed by us (2013/14: £8,211) to one or more companies chosen by employees from the panel of three appointed stakeholder pension providers. No contributions were due to partnership pension providers at the balance sheet date (2013/14: £nil).

Further details about the Civil Service pension arrangements can be found on the website www.civilservice.gov.uk/pensions.

Lord Hutton's review of public sector pensions (March 2011) contained a number of recommendations for reforms which were accepted by the Government. These included increases to members' contributions which were implemented with effect from April 2012 and a new pension scheme with effect from April 2015. Further information in respect of these and other changes to the PCSPS can be obtained from www.civilservice.gov.uk/pensions/reform.

Cash equivalent transfer values

The table on page 25 shows the Chief Executive's and directors' cash equivalent transfer values (CETV) accrued at the beginning and the end of the reporting period as provided by the Civil Service pension scheme.

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

The pension figures shown relate to the benefits that the individual 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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing pension benefits at their own cost.

CETVs are worked out in accordance with the 'Occupational pension schemes (transfer values) (amendment) regulations 2008' and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

The factors used in the CETV calculation were revised during the year. This means that the opening CETV values shown in this report will differ to the amount shown as the closing CETV values in last year's report.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, 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.

Audit

All tabular data contained in this remuneration report together with employer pension contributions are subject to audit.

Mr Peter Thompson
Chief Executive
Accounting Officer

15 June 2015

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Statement of Accounting Officer's responsibilities

Statement of the Accounting Officer's responsibilities

Under Section 6(1) of the Human Fertilisation and Embryology Act 1990 (as amended), we are required to prepare a statement of accounts for each financial year in the form, and on the basis determined by, the Secretary of State, advised by HM Treasury.

The accounts are prepared on an accruals basis, and must show a true and fair view of our state of affairs at the year-end, our net expenditure, changes in taxpayers' equity and cash flow for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government financial reporting manual, and in particular to:

- observe the accounts directions issued by the Secretary of State, 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 financial statements, and
- prepare the financial statements on a going concern basis as there are now no formal grounds to consider this inappropriate.

The Accounting Officer of the Department of Health has designated our Chief Executive as the Accounting Officer for the organisation. His responsibilities include responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding our assets, as set out in 'Managing public money' published by the HM Treasury.

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Annual governance statement

Annual governance statement

This statement sets out our governance and control framework during 2014/15 and up to the date of this report.

Our primary focus this year has been on embedding our new strategy which has patient care firmly at its centre. All our activities are framed by our strategic aim – high quality care for everyone affected by assisted reproduction.

A significant element of that ambition has been our Information for Quality (IfQ) programme, which will improve the way we collect, use and publish data. This work builds on the McCracken review in 2013, which made recommendations on the efficiencies we might make. IfQ is a substantial piece of work and brings with it challenges and risks, which are addressed subsequently in this statement.

We continue to work closely with other health arm's length bodies (ALBs), particularly the Care Quality Commission (CQC), the Health Research Authority (HRA) and the Medicines and Healthcare Products Regulatory Agency (MHRA). As part of this close working, we continue to ensure that the regulatory demands placed on clinics are both proportionate and not duplicated by other regulators.

Governance framework

Our governance framework is set out in the HFE Act 1990 (as amended) and its approved standing orders.

Our board (the Authority)

The year started with the appointment of our new Chair, Sally Cheshire. Sally had previously been a member of the Authority and Chair of the Audit and Governance Committee. Sally has overseen a year of change at board level, with the terms of office of four of our long-standing members – Mr Hossam Abdalla, Mrs Debbie Barber, Ms Jane Dibblin and Ms Gemma Hobcraft – coming to an end during, or at the end of, the year. Five new members have joined the board, with Ms Kate Brian and Mr Tony Rutherford doing so in November 2014 and the remaining three – Ms Anita Bharucha, Ms Margaret Gilmore and Mr Yacoub Khalaf – joining at the start of the 2015/16 business year.

The full board comprises 12 members. There have been six board meetings in the past year (2014/15), all of which were quorate. Following a decision in early 2014, all the Authority's meetings are open to the public and an audio transcript is subsequently made available on our website. The Authority has also held a number of workshop sessions before its public meetings, which it has used to discuss future strategy and work on other policy matters. In March 2015 we hosted a very successful annual conference principally for the fertility sector's stakeholders.

The papers on which the Authority (and its committees) rely are subject to a rigorous internal assurance process, overseen by the relevant member of the Senior Management Team (SMT). Feedback from members of the Authority, and the annual review of committees, suggests that the papers and information provided to them is of high quality and accuracy.

Statutory and standing committees

The Authority has several committees to which it delegates a number of its functions. The following table sets out each committee alongside their frequency and attendance details.

| Committee | Membership at 31 March 2015 | Number of meetings 2014/15 | Attendance rate |
|--|-----------------------------|----------------------------|-----------------|
| Authority | 12 | 6 | 74% |
| Appointments Committee | 3 | 3 | 100% |
| Audit and Governance Committee | 4 | 4 | 81% |
| Ethics and Standards Committee | 6 | 4 | 75% |
| Executive Licensing Panel | 11 | 25 | 100% |
| Licence Committee | 6 | 7 | 64% |
| Oversight Committee (for disclosure of information for researchers) | 12 | 1 | 67% |
| Register Research Panel | 3 | 4 | 100% |
| Remuneration Committee | 3 | 1 | 100% |
| Statutory Approvals Committee | 6 | 11 | 70% |
| Scientific and Clinical Advances Advisory Committee | 5 | 3 | 60% |

The changes in membership at board level have led to challenges in achieving quoracy and maintaining high levels of attendance at committee meetings. The Executive has addressed these challenges by good secretariat management and increased use of technology in order to allow for remote access to meetings and will continue to do so in the future.

The Executive

The Authority and its committees are supported in their work by the Executive, led by the Chief Executive (the Authority's Accounting Officer) and three directors (together referred to as the Senior Management Team (SMT)).

The SMT are:

- Peter Thompson – Chief Executive

- Nick Jones – Director of Compliance and Information
- Juliet Tizzard – Director of Strategy and Corporate Affairs, and
- Sue Gallone – Director of Finance and Resources (part-time; shared with the Human Tissue Authority, (HTA)).

This year saw the permanent appointment of a new Director of Strategy and Corporate Affairs, following a restructure at the beginning of the year. It has also seen the bedding-in of a permanent shared Director of Finance and Resources with the HTA (as recommended in the McCracken review) and the Head of Finance is also shared with the HTA. While this arrangement is not without its challenges, especially during particularly pressured times of the year such as the preparation and delivery of the annual report and accounts, the Chief Executive is confident that the risks are being handled appropriately and effectively.

The SMT and Corporate Management Group (CMG) oversee the delivery of our business plan. CMG is chaired by the Chief Executive and attended by the directors and heads of department, and meets once a month as a minimum. It also considers strategic risks before the Audit and Governance Committee (see below).

The Executive's Programme Board oversees individual projects and ensures that suitable controls are in place. Risk assessment and management are substantial aspects of this oversight arrangement, with both the project manager and the project sponsor (usually a director) reporting to the Programme Board at regular intervals. In turn, the Programme Board reports to CMG every month, with a highlight report for each live project.

Corporate governance

Like other ALBs in the health and care sector, we have a framework agreement with the Department for Health which defines the critical elements of our relationship with them. The way in which we work with the Department of Health, and how we both discharge our accountability responsibilities effectively, is outlined in the agreement. The Chair and Chief Executive meet the Senior Departmental Sponsor (SDS) at the Department of Health for a formal annual accountability review and informally throughout the year. In addition, the SMT meet other Department of Health officials at quarterly intervals, and have regular contact as issues require. Representatives from the Department of Health are also present as observers at ordinary meetings of the Authority and at the Audit and Governance Committee.

The operational objectives that help us deliver our corporate strategy are set out in the annual business plan. Drafts of this document are shared with the Department of Health in advance and quarterly monitoring information is also submitted to them. Along with meetings with the SDS and other officials at the Department of Health, this provides assurance that the delivery of objectives is on track.

Our system of corporate governance complies with the requirements of the 'Corporate governance in central Government departments: code of good practice', in so far as they relate to ALBs. It is designed to ensure that sufficient oversight of operational matters is held by our board and Audit and Governance Committee, while allowing for clear accountability and internal control systems at Executive level.

Effectiveness and performance

We have achieved our core statutory functions of licensing and regulating fertility clinics, maintaining a register of treatments and a Code of Practice, and increasing and informing choice for patients. Common with all public sector organisations, we have done so under increased pressure on our financial resources and staff.

We have looked to improve and make more efficient the way in which we engage with significant matters of policy and operational delivery. One of the ways in which the board has made better use of its time is through 'workshop' sessions before full Authority meetings, at which the board has discussed issues such as corporate strategy, the manner in which it exercises and delegates its functions, and its future approach to ethical and standards issues. The new way of working is leading to more efficient and productive use of member and executive time and allowing better informed decision-making.

This, along with the annual review of committee effectiveness and consequent changes to governance and standing orders, gives assurance that the exercise of our statutory functions are delegated appropriately and legally, adhering to the recommendations outlined in the Harris review³.

Members of the Authority and the Chief Executive have their performance assessed by the Chair (or, in the case of the Chair, by the SDS). No issues of performance have been raised and the Chief Executive is assured that the arrangements in place for internal control are robust and fit for purpose.

Annual reviews of committee effectiveness

As is good practice, every year our committees undertake a review of their effectiveness. In general, the feedback from the committees was good, with defensible, evidenced decisions being made on the basis of robust paperwork.

Issues that emerged were around the continued challenges in achieving quoracy in committee meetings and the need to increase the use of technology to enable more effective meetings. These conclusions were considered at a full Authority board meeting and the Executive continues to ensure that committee meetings are quorate and well-supported.

In parallel to the review of committee effectiveness, the Authority considered its approach to policy, ethics and compliance matters. In particular, Authority members wanted to ensure that their time was spent on matters of significant policy or ethical questions, and that issues were not considered both at committee and board level. Members were also conscious of the increased pressure on resources. In light of these considerations, the board felt that many of the significant issues considered by its Ethics and Standards Committee might better be discussed by the full Authority, at its public meetings, which would also improve the levels of transparency in its decision-making. The Authority therefore decided at its meeting in March 2015 to dissolve the Ethics and Standards Committee.

³ Available at www.gov.uk/government/publications/independent-review-into-delegation-of-approval-functions-under-the-mental-health-act-1983.

Highlights of board and committee reports

The Authority considered a wide variety of issues in 2014/15. Its focus has been on agreeing and then embedding a new strategy that will shape our activities between 2014 and 2017, and overseeing the IfQ programme.

Our Licence Committee, Statutory Approvals Committee, and the Executive Licensing Panel have handled the core business of considering licence applications and issues, applications for embryo testing and applications for importing or exporting embryos, sperm and eggs.

The Scientific and Clinical Advances Advisory Committee has provided high-quality advice and exercised its delegated functions appropriately, while the Audit and Governance Committee continues to give the Authority assurance that financial and risk management systems are in place and of appropriate scrutiny to ensure adherence. The Audit and Governance Committee continues to take a theme-based approach to its meetings, giving it a broad outlook over the organisation and its operations. It has exercised its delegated functions, including approval of this statement, on behalf of the Authority.

The Remuneration and Appointments committees continue to consider matters pertaining to human resources, remuneration, and the appointment of external committee members and advisers.

Risk and capability

Given the variety and complexity of the risks we face, our overall appetite for risk is low. The framework we have in place to identify and manage risk is appropriate and allows for reasonable controls to be in place, without impacting on the successful delivery of our objectives.

Following an internal audit review of our approach to risk, a number of improvements have been made to the way in which risk is identified and managed. In particular, the review recommended that we should formalise our risk management strategy, policy and procedures. In light of these recommendations, the Executive began work to bring together a more comprehensive description of current risk management procedures into a single document, focused solely on the risk system. The Audit and Governance Committee considered and agreed this revised approach to risk management, set out in a new risk policy.

Our system of internal risk management gives assurance that the risks we face when exercising our statutory functions are managed appropriately and mitigated against proportionately. Risks are formally managed at several different levels, as follows:

- strategic risk register – capturing risks to the delivery of our strategy and business plan
- operational risk logs – capturing team level risks to functional delivery
- project/programme risk logs – capturing risks to successful project delivery
- business continuity risks – managed through the business continuity plan with regular appraisals of business critical functions
- internal incidents system – an adjunct to the risk system, which enables understanding of, and corporate learning from, internal adverse events.

The Authority and its Audit and Governance Committee consider the strategic risk register, which is populated by CMG from the operational risk registers. This allows for the management of risk to be embedded in the organisation from the bottom up.

Projects are scrutinised by our Programme Board. Risk assessment and management are a substantial aspect of this oversight arrangement and both the project manager and the project sponsor (usually a director) must report to the Programme Board at monthly intervals. In turn, the Programme Board reports to CMG every month, with a highlight report outlining progress, risks and issues for each live project.

The significance of our IfQ programme is such that we have put in place a dedicated programme support team, which (among other things) maintains a risk register specifically for the IfQ programme. The IfQ Programme Board reviews risk regularly and IfQ risks are reported on as a standing item to the monthly meetings of CMG. Similarly, the senior responsible officer of the IfQ programme provides assurance to the Audit and Governance Committee at every meeting of the programme's progress. A Gateway review in April 2015 reported a delivery confidence assessment of amber and we are addressing the recommendations made.

Our system of internal risk management gives assurance that the risks we face when exercising our statutory functions are managed appropriately and mitigated against proportionately.

Regulatory risk

We also take a risk-based approach to the way we regulate the fertility sector, in order to ensure that our regulatory action is targeted and proportionate. Our risk-based assessment tool allows such an approach and (like all other processes we use in carrying out our functions) is subject to a rigorous quality assurance regime, in line with the Macpherson review recommendations⁴.

Risk assessment

Our key strategic risks remain related to legal challenge, capacity/capability and data/information. Our ongoing mitigating activities are managed and monitored through the systems described earlier. The IfQ programme of work will help in continuing to minimise the risk to our data and information, while our robust governance and decision-making arrangements mitigate against the controllable elements of the risk of legal challenge. Like all public sector organisations, we continue to face capacity and capability risks that we manage through good internal communications, staff engagement and our performance management process.

Information management and security

As the holder of the statutory Register of fertility treatments, we take our responsibilities for information security most seriously and have a low tolerance for information risks. Keeping secure the information we hold, particularly sensitive personal patient data, is of the highest priority, and this principle will frame our approach to the implementation of the IfQ programme in the coming year.

⁴ Available at www.gov.uk/government/publications/review-of-quality-assurance-of-government-models.

There were no data losses within the last year and we continue to work hard to ensure that remains the case. During a review of our internal policies, internal auditors identified a discrepancy in our record management system that had the potential to allow staff members to access certain restricted personal data. There is no evidence that this risk had been realised and our IT team immediately restricted the data to only those staff who were permitted to use it. This issue was reported to the Audit and Governance Committee and I am content that lessons have been learned and appropriate steps have been taken to ensure this does not reoccur.

Internal incidents

Our Executive maintain an internal incident procedure, which ensures that any process failures are quickly and thoroughly investigated. This allows SMT to learn lessons and correct procedural failures. There were 12 such internal incidents in the last year, all of which were resolved satisfactorily.

Internal audit

The annual opinion of our Head of Internal Audit is that our systems provide moderate assurance. There is substantial assurance over risk management and moderate assurance over governance and control. Four audits were conducted. Advice was provided on our standing financial instructions and the Register aspect of our IfQ Programme. Moderate assurance was given over our IfQ programme and limited assurance for our internal policies. Internal policies are in place although improvements can be made in the processes to review and update these. We are implementing the recommendations made.

Overall conclusion

We have had a year of implementing our new strategy and shared ways of working, significant changes in the make-up of the Authority, and reflecting on governance changes that occurred in the previous year.

We have made significant improvements to our risk management process and I am assured that a robust governance and assurance framework is in place, that our risks are managed proportionately, and that appropriate financial controls are in effect. My assessment has been informed also by internal audit reviews during the year, of IfQ, internal policies and standing financial instructions. As we look to the future, I have full confidence that we will continue to develop control and assurance mechanisms, while improving the quality of our work and seeking to provide best value for public finances.

Mr Peter Thompson
Chief Executive
Accounting Officer

15 June 2015

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

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 Fertilisation & Embryology Authority (“the Authority”) for the year ended 31 March 2015 under the Human Fertilisation & Embryology Act 1990 amended to the Human Fertilisation & Embryology Act 2008. 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 Report that is described in that report as having been audited.

Respective responsibilities of the board, Accounting Officer and Auditor

As explained more fully in the Statement of the Authority 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 Fertilisation & Embryology Act 1990 amended to the Human Fertilisation & Embryology Act 2008. 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 2015 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 Fertilisation and Embryology Act 1990 amended to the Human Fertilisation & Embryology Act 2008 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the Human Fertilisation & Embryology Act 1990 amended to the Human Fertilisation & Embryology Act 2008
- the information given in the Accounting Officer's report, and the management commentary included within the Annual 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 part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit, or
- the governance statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
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16 June 2015

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Annual accounts

**Human Fertilisation & Embryology Authority - Annual
Report and Accounts - Annual Accounts 2014/15**

**Statement of Comprehensive Net Expenditure for period ended
31 March 2015**

| | NOTE | March 2014/15 £ | March 2013/14 £ |
|---|------|-----------------------|-----------------------|
| Expenditure | | | |
| Staff Costs | 3 | 3,900,520 | 3,622,918 |
| Depreciation | 4 | 60,866 | 82,049 |
| Loss on Disposal of assets | 4 | 0 | 11,710 |
| Other expenditures | 4 | 1,754,678 | 1,311,317 |
| | | 5,716,064 | 5,027,994 |
| Income | | | |
| Income from Activities | 5 | 4,035,493 | 4,123,376 |
| Other Income | 5 | 52,863 | 71,538 |
| | | 4,088,356 | 4,194,914 |
| Net (Expenditure) | | (1,627,708) | (833,081) |
| Interest Receivable | 5 | 5,810 | 7,093 |
| Net (Expenditure) after Interest | | (1,621,898) | (825,988) |
| Other comprehensive net expenditures | | 0 | 0 |
| | | (1,621,898) | (825,988) |
| Taxation | | (1,277) | (1,352) |
| Total comprehensive (expenditure) for the year | | (1,623,175) | (827,340) |

There are no items of expenditure that should be shown as Other Comprehensive Expenditure and therefore this statement is not required.

The notes on pages 48 to 68 form part of these accounts.

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**Statement of Financial Position as at
31 March 2015**

| | | 31 March 2015 | 31 March 2014 |
|--|------|------------------|---------------|
| | NOTE | £ | £ |
| Non-current assets: | | | |
| Property, information technology and office equipment | 7 | 48,576 | 74,998 |
| Intangible assets | 8 | 49,513 | 63,730 |
| Total non-current assets | | 98,089 | 138,728 |
| Current assets: | | | |
| Trade and other receivables | 10 | 947,593 | 1,081,551 |
| Cash and cash equivalents | 11 | 2,020,591 | 2,803,907 |
| Total current assets | | 2,968,184 | 3,885,458 |
| Total assets | | 3,066,273 | 4,024,186 |
| Current liabilities | | | |
| Trade and other payables | 12 | 348,492 | 400,089 |
| Provisions | 13 | 19,079 | 209,560 |
| Total current liabilities | | 367,571 | 609,649 |
| Non-current assets plus/less net current assets/liabilities | | 2,698,702 | 3,414,537 |
| Non-current liabilities | | | |
| Provisions | 13 | 87,630 | 100,290 |
| Total non-current liabilities | | 87,630 | 100,290 |
| Total Assets less Liabilities | | 2,611,072 | 3,314,247 |
| FINANCED BY: | | | |
| Taxpayers' Equity | | | |
| I&E Reserve | | 2,611,072 | 3,314,247 |
| Total Taxpayers' Equity: | | 2,611,072 | 3,314,247 |

The notes on pages 48 to 68 form part of these accounts.

The financial statements on pages 44 to 68 were approved by the Board on 15 June 2015 and signed on its behalf by

Mr Peter Thompson
Chief Executive
Accounting Officer

Date: 15 June 2015

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**Statement of Cash Flows for the year ended
31 March 2015**

| | NOTE | 2014/15 £ | 2013/14 £ |
|---|------|---------------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Net operating surplus/(deficit) after interest | | (1,621,898) | (825,988) |
| Depreciation and amortisation | 4 | 60,866 | 82,049 |
| (Increase)/decrease in trade and other receivables | 10 | 133,958 | 63,014 |
| Increase/(decrease) in trade and other payables | 12 | (51,596) | (97,013) |
| Loss on disposals of non-current assets | 4 | 0 | 11,710 |
| Taxation | | (1,277) | (1,352) |
| Use of provisions | 13 | (203,141) | (38,836) |
| Net Cash Inflow/(Outflow) from Operating Activities | | <u>(1,683,088)</u> | <u>(806,415)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | 0 | (64,907) |
| Purchase of intangible assets | 8 | (20,228) | (21,150) |
| Net cash inflow/(outflow) from investing activities | | <u>(20,228)</u> | <u>(86,057)</u> |
| Cash flows from financing activities | | | |
| Grants from sponsoring department | | 920,000 | 1,018,262 |
| Net Cash inflow/(outflow) from financing activities | | 920,000 | 1,018,262 |
| Net increase/(decrease) in cash and cash equivalents in the period | 11 | (783,316) | 125,789 |
| Cash and cash equivalents at the beginning of the period | 11 | 2,803,907 | 2,678,118 |
| Cash and cash equivalents at the end of the period | | <u>2,020,591</u> | <u>2,803,907</u> |

As at 31 March 2015 there were no fixed asset accruals (2013/14 £Nil).

The notes on pages 48 to 68 form part of these accounts

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**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2015**

| | Total I&E Reserve |
|---|----------------------------------|
| | £ |
| Balance at 1 April 2013 | 3,123,325 |
| Changes in taxpayers' equity for 2013/14 | |
| Grant from Department of Health | 1,018,262 |
| Comprehensive income/(expenditure) for the year | (827,340) |
| Balance at 31 March 2014 | <u>3,314,247</u> |
| Changes in taxpayers' equity for the year ended 31 March 2015 | |
| Grant from Department of Health | 920,000 |
| Comprehensive income/(expenditure) for the year | (1,623,175) |
| Balance at 31 March 2015 | <u>2,611,072</u> |

The notes on pages 48 to 68 form part of these accounts

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Notes to the accounts

1. Statement of Accounting Policies

The HFEA accounts are prepared in accordance with the provisions of the Human Fertilisation and Embryology Act 1990 (as amended) and an Accounts Direction issued by the Secretary of State for Health in June 2007.

The accounts are prepared in accordance with the accounting and disclosure requirements given in HM Treasury's Financial Reporting Manual (FRoM), insofar as these are appropriate to the HFEA and are in force for the financial year for which the statements are prepared. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance of the HFEA for the purpose of giving a true and fair view has been selected.

The particular policies adopted by the HFEA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These financial statements are prepared under the historical cost convention.

1.2 Non-Current Assets

Non-current assets include property, information technology, and office equipment together with intangible assets which relate to constructed software and software licenses. Only items, or groups of related items, costing £1,000 or more and with individual values over £250 are capitalised. Those costing less are treated as revenue expenditure.

All property, plant and equipment and intangible assets held by the HFEA at 31 March 2015 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.

1.2.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of the HFEA 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.

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1.3 Depreciation and Amortisation

Depreciation is provided on all non-current assets on a monthly basis from the date of acquisition at rates calculated to write off the cost of each asset evenly over its expected useful life.

Expected useful lives are as follows:

| | |
|----------------------------------|------------------------------------|
| Leasehold improvements | Length of lease to next breakpoint |
| Information technology | 4 years |
| Office equipment | 5 years |
| Furniture, fixtures and fittings | 5 years |

Amortisation is provided on intangible non-current assets (which comprise constructed software and software licences) on a monthly basis at a rate calculated to write off the cost of each intangible asset over its expected useful life. The expected useful life of this software is 4 years.

1.4 Grant-in-Aid

Grant-in-aid received is used to finance activities and expenditure which supports the statutory and other objectives of the HFEA and is treated as financing and credited to the General Reserve, because it is regarded as contributions from a controlling party.

Revenue Grant-in-aid of £920,000 was allocated and drawn down. There was no capital Grant-in-aid in 2014/15.

1.5 Operating Income

Licence fee income is recognised at the time of treatment date.

An estimate of the income for treatments provided by the clinics, but not reported to the HFEA, at 31 March 2015, is accrued. This is calculated by clinic in a report from the Automated Billing System (ABS) based on the typical delay between the clinic providing the treatment to the patient and reporting the treatment to the HFEA and the clinic's recently reported monthly treatment numbers.

Deferred income is recognised in respect of income for annual licence fees.

1.6 Operating Leases

Operating leases are charged to the accounts on a straight line basis over the lease term.

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1.7 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependents' benefits. The HFEA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the HFEA recognises the contributions payable for the year.

Further information in respect of Civil Service Pensions is provided in the Remuneration Report.

1.8 Disclosure of Fees and Costs information

In accordance with the principles of HM Treasury's Managing Public Money and Section 35B of the Human Fertilisation and Embryology Act 1990 (as amended), the HFEA sets its regulatory fees with the objective of recovering the full costs of the primary regulatory services it provides.

There are some elements of the HFEA's work that do not relate directly to the regulatory process, and the Department of Health accordingly contributes to the funding of these activities through the provision of annual Grant-in-aid.

The key areas of work partially funded in this way are: the maintenance of the HFEA's Register of IVF and Donor Insemination (DI) treatments and their outcomes; policy development and communications; the production of publications (that do not relate to the regulatory process); some legal costs; and associated overhead and management costs.

In previous years capital Grant-in-aid has been received for the purchase of IT, furniture and other office equipment.

Further information in respect of Grant-in-aid received in the year is provided in the Statement of Changes in Taxpayers' Equity.

Further information in respect of fees income and related costs is provided in note 6 to these accounts.

1.9 Value Added Tax

The HFEA was not registered for VAT during financial year 2014/15.

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1.10 Cash

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

1.11 Financial Instruments

Financial assets and financial liabilities arise from the HFEA's normal operational activities and are recognised in accordance with standard accruals accounting principles.

The HFEA's financial assets comprise cash at bank and in hand, license fee debtors, balances with Central Government bodies, and other debtors. The HFEA's financial liabilities comprise trade creditors and other creditors.

The fair values of financial assets and liabilities are deemed to be their book values, unless there is appropriate cause to apply an alternative basis of valuation.

The HFEA has not entered into any transactions involving derivatives.

1.12 Provisions

Provisions are recognised when the HFEA has a present legal or constructive obligation as a result of a past event, it is probable that the HFEA will be required to settle the obligation, and a reliable estimate can be made of the obligation. The amount recognised as a provision is the best estimate of expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

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2. Operating segments

Under the definition of IFRS 8 the HFEA is a single operating segment as the UK's independent regulator of treatment using eggs and sperm, and of treatment and research involving human embryos, setting standards for, and the issue of licences to, centres together with the provision of information for the public and determining the policy framework for fertility issues.

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3. Staff costs

| | Permanently Employed Staff | | Others | Members | Total |
|------------------------------|----------------------------|-------------------------|-----------------------|-----------------------|-------------------------|
| | Total | Employed Staff | | | |
| | £ | £ | £ | £ | £ |
| Wages and salaries | 3,170,215 | 2,736,719 | 301,401 | 132,095 | 2,844,257 |
| Social security costs | 234,007 | 227,596 | 0 | 6,411 | 254,988 |
| Other pension costs | 496,298 | 496,298 | 0 | 0 | 523,673 |
| Staff costs | <u>3,900,520</u> | <u>3,460,613</u> | <u>301,401</u> | <u>138,506</u> | <u>3,622,918</u> |
| Total Net staff costs | <u>3,900,520</u> | <u>3,460,613</u> | <u>301,401</u> | <u>138,506</u> | <u>3,622,918</u> |

As set out in note 1.7 above, further information in respect of Civil Service Pensions is provided in the remuneration report on pages 20 to 29.

Other staff costs are agency staff costs (contingent labour) incurred throughout the year. Previously this was included within Running costs. These costs are related to IFQ.

Average number of staff employed

The average numbers of persons employed during the period were as follows

| | 2014/15 | | 2013/14 |
|-------------------|-----------|-----------------|-----------|
| | Total | Permanent staff | Total |
| Directly employed | 64 | 64 | 66 |
| Total | <u>64</u> | <u>64</u> | <u>66</u> |

The average number of Wte staff directly employed for the period ended 31 March 2015 was 63 (2013/14 66).

3.1 Exit Packages agreed in 2014/15

| Exit package cost band (including any special payment element) | 2014/15 | | | 2013/14 | | |
|--|-------------------------|------------------------------------|--|-------------------------|------------------------------------|--|
| | *Number of redundancies | *Number of other departures agreed | Total number of exit packages by cost band | *Number of redundancies | *Number of other departures agreed | Total number of exit packages by cost band |
| | Number | Number | Number | Number | Number | Number |
| Less than £10,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £10,001-£25,000 | 0 | 0 | 0 | 0 | 1 | 1 |
| £25,001-£50,000 | 0 | 0 | 0 | 0 | 2 | 2 |
| £50,001-£100,000 | 1 | 0 | 1 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £150,001 - £200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of exit packages by type (total cost) | 1 | 0 | 1 | 0 | 3 | 3 |
| Total resource cost (£000s) | 57 | 0 | 57 | 0 | 110 | 110 |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Pension Scheme. Exit costs in this note are accounted for in full in the year of departure. Where the HFEA has agreed early retirements, the additional costs are met by the HFEA and not by the Civil Service pensions scheme. Ill-health retirement costs are met by the Civil Service pensions scheme and are not included in the table.

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| | | March 2014/15 | March 2013/14 |
|------------------------------------|-------------|--------------------------|-------------------------|
| | Note | £ | £ |
| Running costs | a | 950,286 | 830,565 |
| Professional & administrative fees | b | 473,686 | 343,247 |
| Rentals under operating leases | | 261,945 | 145,326 |
| Audit expenditure | c | <u>56,364</u> | <u>32,179</u> |
| Total Other Expenditure | | <u>1,742,281</u> | <u>1,351,317</u> |
| | | | |
| EU costs | d | <u>39,067</u> | <u>0</u> |
| | | <u>1,781,348</u> | <u>1,351,317</u> |
| Non-Cash Items | | | |
| Depreciation & amortisation | | 60,866 | 82,049 |
| Loss on disposal of assets | | 0 | 11,710 |
| Release of provision | | <u>(26,670)</u> | <u>(40,000)</u> |
| Total | | <u>1,815,544</u> | <u>1,405,076</u> |

Notes

- a) Running costs include include the provisions utilised in year. Costs of phases 1 and 2 of the IFQ programme, totalling £234,705, has also been included here. These costs are funded by HFEA reserves.
- b) Professional and administration fees include fees for litigation £292,112 (2013/14 £94,377) and other legal costs arising during the period.

| | | 2014/15 | 2013/14 |
|-------------------------------------|--|----------------------|----------------------|
| | | £ | £ |
| c) Audit expenditure is as follows: | | | |
| External audit | | 27,500 | 27,500 |
| Internal audit | | <u>28,864</u> | <u>4,679</u> |
| | | <u>56,364</u> | <u>32,179</u> |

External audit expenditure is the accrued fee for the NAO for twelve months. The internal audit costs relate to work in 2014-15 with some of the work relating to the IfQ programme.

- d) These are final costs for the SoHO V&S project which commenced in 2010 and concluded in 2013. In 2014/15 the HFEA refunded monies received from the EU in August 2010 and May 2012 for staff time and travel as the EU concluded that this should have been met by the HFEA. There is no associated income.

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5. Income

Gross income is made up of licence fee and other incomes which are recorded on an accruals basis.

| Analysis of Income | March 2014/15 £ | March 2013/14 £ |
|----------------------------------|--------------------------------|--------------------------------|
| Licence fee income | 4,035,493 | 4,123,376 |
| Other income | 52,863 | 71,537 |
| Interest received | 5,810 | 7,093 |
| Total Income for the Year | <u>4,094,166</u> | <u>4,202,006</u> |

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6. Fees and Related Costs

In accordance with Section 35B of the Human Fertilisation and Embryology Act 1990 (as amended) the HFEA may charge fees in respect of our licensing activities.

For the purposes of providing information on fees and charges, these fees are calculated on a full cost recovery basis, in order that all costs incurred by the HFEA, in the granting and superintending of compliance with the terms of licences, are met by fees invoiced to licensees. During the period to 31 March 2015, the licence fee income received by the HFEA represented the costs incurred in the granting of new licences and the regulation of licences in force for the period.

The fees and associated costs for these activities are summarised below

| | March 2014/15 £ | March 2013/14 £ |
|--|--------------------------------|-----------------------|
| Licence fee income | 4,035,493 | 4,123,376 |
| Costs allocated to regulatory activities | 4,796,950 | 3,921,869 |
| Surplus/(Deficit) | <u>(761,457)</u> | <u>201,507</u> |

The IfQ project costs that sit within regulatory activities of £565k are funded from reserves.

This disclosure is provided for the purposes of providing information on fees and charges, not IFRS 8 purposes.

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7. Property, plant and equipment

| | Information technology | Office Equipment | Furniture & fittings | Total |
|--|---------------------------|---------------------|-------------------------|----------------|
| 2014/15 | | | | |
| | £ | £ | £ | £ |
| Cost or valuation: | | | | |
| At 1 April 2014 | 415,068 | 41,648 | 50,973 | 507,689 |
| Additions purchased | 0 | 0 | 0 | 0 |
| Disposals | (35,093) | (12,920) | (9,663) | (57,676) |
| At 31 March 2015 | 379,975 | 28,728 | 41,310 | 450,013 |
| Depreciation | | | | |
| At 1 April 2014 | 354,205 | 29,050 | 49,437 | 432,692 |
| Charged during the Year | 21,560 | 4,397 | 464 | 26,421 |
| Disposals | (35,093) | (12,920) | (9,663) | (57,676) |
| At 31 March 2015 | 340,672 | 20,527 | 40,238 | 401,437 |
| Net Book Value at 31 March 2015 | 39,303 | 8,201 | 1,072 | 48,576 |
| Net Book Value at 31 March 2014 | 60,864 | 12,598 | 1,536 | 74,998 |
| Asset financing: | | | | |
| Owned | 39,303 | 8,201 | 1,072 | 48,576 |
| Total at 31 March 2015 | 39,303 | 8,201 | 1,072 | 48,576 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 2013/14 | | | | |
| | £ | £ | £ | £ |
| Cost or valuation: | | | | |
| At 1 April 2013 | 357,416 | 67,608 | 73,098 | 498,122 |
| Additions purchased | 63,540 | 0 | 1,367 | 64,907 |
| Disposals | (5,888) | (25,960) | (23,492) | (55,339) |
| At 31 March 2014 | 415,068 | 41,648 | 50,973 | 507,690 |
| Depreciation | | | | |
| At 1 April 2013 | 335,592 | 47,855 | 71,375 | 454,822 |
| Charged during the Year | 24,500 | 7,155 | 1,554 | 33,209 |
| Disposals | (5,888) | (25,960) | (23,492) | (55,339) |
| At 31 March 2014 | 354,205 | 29,050 | 49,437 | 432,692 |
| Net Book Value at 31 March 2014 | 60,864 | 12,598 | 1,536 | 74,998 |
| Net Book Value at 31 March 2013 | 21,824 | 19,753 | 1,723 | 43,300 |
| Asset financing: | | | | |
| Owned | 60,864 | 12,598 | 1,536 | 74,998 |
| Total at 31 March 2014 | 60,864 | 12,598 | 1,536 | 74,998 |

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8. Intangible Assets

| 2014/15 | Software Licenses £ | Constructed Software £ | Total £ |
|--|------------------------|---------------------------|----------------|
| Cost or valuation: | | | |
| At 1 April 2014 | 321,712 | 498,706 | 820,418 |
| Additions purchased* | 20,228 | 0 | 20,228 |
| Reclassification | 0 | 0 | 0 |
| Disposals | (33,700) | 0 | (33,700) |
| At 31 March 2015 | 308,240 | 498,706 | 806,946 |
| Depreciation | | | |
| At 1 April 2014 | 275,348 | 481,340 | 756,688 |
| Charged during the year | 18,650 | 15,795 | 34,445 |
| Disposals | (33,700) | 0 | (33,700) |
| At 31 March 2015 | 260,298 | 497,135 | 757,433 |
| Net Book Value at 31 March 2015 | 47,942 | 1,571 | 49,513 |
| Net Book Value at 31 March 2014 | 46,364 | 17,366 | 63,730 |
| Asset financing: | | | |
| Owned | 47,942 | 1,571 | 49,513 |
| Total at 31 March 2015 | 47,942 | 1,571 | 49,513 |
| 2013/14 | Software Licenses £ | Constructed Software £ | Total £ |
| Cost or valuation: | | | |
| At 1 April 2013 | 337,792 | 604,513 | 942,305 |
| Additions purchased | 21,150 | 0 | 21,150 |
| Disposals | (37,230) | (105,807) | (143,037) |
| At 31 March 2014 | 321,712 | 498,706 | 820,418 |
| Depreciation | | | |
| At 1 April 2013 | 288,603 | 550,572 | 839,175 |
| Charged during the year | 22,439 | 26,401 | 48,840 |
| Disposals | (35,694) | (95,632) | (131,327) |
| At 31 March 2014 | 275,348 | 481,340 | 756,688 |
| Net Book Value at 31 March 2014 | 46,364 | 17,366 | 63,730 |
| Net Book Value at 31 March 2013 | 49,189 | 53,941 | 103,130 |
| Asset financing: | | | |
| Owned | 46,364 | 17,366 | 63,730 |
| Total at 31 March 2014 | 46,364 | 17,366 | 63,730 |

*Relates to the purchase of telephony software which integrates with other office systems.

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9. Financial Instruments

IFRS 7 requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces when undertaking its activities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The HFEA has no powers to borrow funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to manage the risks facing the HFEA in undertaking its activities.

a) Liquidity Risk

The majority of the HFEA's income comes from treatment fees. The fees are based on information provided directly from licenced clinics. This information is processed and returned to clinics in the form of invoices.

There are procedures in place to identify late and non-reporting of treatment cycles by clinics and also procedures for chasing up debts. The remaining main source of revenue is from Government grants made on a cash basis. Therefore, the HFEA is not exposed to significant liquidity risk.

b) Investments and Interest Rate Risk

The HFEA follows an investment policy of placing any surplus funds on overnight deposit in an interest bearing bank account.

Gross interest income was 0.12% of the total revenues of the HFEA (including Grant-in-aid). Therefore, the HFEA has no significant exposure to interest rate risk.

c) Credit Risk

The HFEA receives most of its income from the clinics it regulates. It operates a robust debt management policy and, where necessary, provides for the risk of particular debts not being discharged by the relevant party, therefore it is not exposed to significant credit risk.

d) Financial Assets and Liabilities

The only financial asset held at a floating rate was cash at bank of £2,020,866. As at 31 March 2015, none of the HFEA's financial liabilities were carried at a floating rate. The fair value of the financial assets and liabilities was equal to the book value.

e) Foreign Currency Risk

Consistent with previous accounting periods there were minimal foreign currency transactions conducted by the HFEA during the period ended 31 March 2015. There was therefore no significant foreign currency risk during the year.

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10. Trade and other receivables

| | 31 March 2015 £ | 31 March 2014 £ |
|---|--------------------------------|-----------------------|
| Analysis by type | | |
| Trade receivables - licence fee debtors | 438,788 | 525,345 |
| Prepayments and accrued income | 491,374 | 525,333 |
| Other receivables | 17,431 | 30,874 |
| Total | <u>947,593</u> | <u>1,081,551</u> |
| Intra-Government Balances | | |
| Balances with other central Government bodies | 2,213 | 80,631 |
| Balances with NHS bodies | 283,072 | 329,415 |
| Total intra-Government balances | <u>285,285</u> | <u>410,046</u> |
| Bodies external to Government | 662,308 | 671,505 |
| Total | <u>947,593</u> | <u>1,081,551</u> |

Prepayments and accrued income include calculations of the fees due to be invoiced to clinics after the date of the Statement of Financial Position in respect of chargeable treatments undertaken before that date.

Balances with other central government and NHS bodies include accrued income that can be directly attributed to them.

All debts were due for settlement within one year of the date of the Statement of Financial Position. No provision for bad or doubtful debts has been made as all debts are anticipated to be recoverable.

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11. Cash and Cash Equivalents

| | 31 March 2015 £ |
|---------------------------------|--------------------------------|
| Balance at 31 March 2013 | 2,678,118 |
| Net change in cash | 125,789 |
| Balance at 31 March 2014 | <u>2,803,907</u> |
| Net change in cash | <u>(783,316)</u> |
| Balance at 31 March 2015 | <u><u>2,020,591</u></u> |

£1,885,290 of the balance at 31 March 2015 was held with the Government Banking Services (£2,460,300 in 2013/14). The remaining balance was held at commercial banks.

No cash equivalents were held during the year.

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12. Trade Payables and other Current Liabilities

| | 31 March 2015 £ | 31 March 2014 £ |
|--------------------------------------|--------------------------------|-----------------------|
| Analysis by type | | |
| Trade payables | 8,227 | 9,593 |
| Accruals and deferred income | 332,527 | 349,495 |
| Other taxation and social security | 0 | 187 |
| Other payables | 7,738 | 40,814 |
| Total | <u>348,492</u> | <u>400,089</u> |
| Intra-Government Balances | | |
| Other central Government bodies | 35,354 | 160,134 |
| NHS Bodies | 23,013 | 0 |
| Bodies external to Government | 290,125 | 239,955 |
| | <u>348,492</u> | <u>400,089</u> |

All creditors were due for settlement within one year of the balance sheet date.

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13. Provisions

| | Legal | Early Retirement Costs | Restructure/Relocation Costs | Totals |
|-------------------------------------|----------------|------------------------|------------------------------|----------------|
| | £ | £ | £ | £ |
| Balance at 1 April 2014 | 140,000 | 113,047 | 56,803 | 309,850 |
| Utilised in the period | (113,330) | (6,338) | (56,803) | (176,471) |
| Release of provision for the period | (26,670) | 0 | 0 | (26,670) |
| Balance at 31 March 2015 | 0 | 106,709 | 0 | 106,709 |

| Analysis of expected timing of payment or release of provisions | Legal | Early Retirement Costs | Restructure/Relocation Costs | Totals |
|---|----------|------------------------|------------------------------|----------------|
| | £ | £ | £ | £ |
| No later than one year | 0 | 19,079 | 0 | 19,079 |
| Later than one year and not later than five years | 0 | 87,630 | 0 | 87,630 |
| Later than five years | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>106,709</u> | <u>0</u> | <u>106,709</u> |

The legal provision of £140,000 brought forward from financial year 2013/14 has been utilised by payments made totalling £113,330. The remaining provision for this cost was not needed. The legal and professional fees of defending actions brought against the HFEA are accounted for in the period in which they arose.

As noted in the remuneration report for financial year 2008/09, early retirement costs were provided in that financial year. The provision for the year reflects pensions information and is based on total estimated payments arising.

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14. Capital Commitments

There were no capital commitments as at 31 March 2015. (2013/14 £Nil).

15. Commitments under Leases

Operating Leases

The HFEA is committed to the following operating lease payments.

| | Rent | 31 March | 31 March |
|---|----------------|-----------------|-----------------|
| | | 2015 | 2014 |
| | £ | £ | £ |
| Total Future Minimum Lease Payments payable: | | | |
| Not later than one year | 177,988 | 177,988 | 191,641 |
| Later than one year not later than five years | 29,665 | 29,665 | 271,492 |
| | <u>207,653</u> | <u>207,653</u> | <u>463,133</u> |

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16. Contingencies

Any details in respect of litigation undertaken against the HFEA in recent years have been noted in the Annual reports and accounts for financial years 2006/07 to 2013/14 inclusive.

At the date of finalising these accounts, there were two matters in litigation that may have financial consequences for the HFEA. For both, judgement is awaited and the liability will not be known until after then.

The HFEA regulates a sector that addresses some highly charged issues, of both a personal and clinical nature, which may generate close scrutiny. Some of the projects and work that the HFEA has undertaken, as well as certain decisions that the HFEA has made in 2014/15, may give rise to later challenge, including a risk of legal action.

17. Related Party Transactions

a) The Department of Health is regarded as a related party. During the period the HFEA had various material transactions with the Department of Health and with some NHS Trusts for which the Department of Health is regarded as the parent Department.

During the period the HFEA received £920,000 (2013/14 £988,262) from the Department of Health in relation to operational Grant-in-aid and £Nil (2013/14 £30,000) for capital Grant-in-aid.

At the 31 March 2015 £Nil in grant-in-aid was due to the HFEA from the Department of Health and £Nil balances were due to the Department of Health from the HFEA.

The Department of Health invoiced the HFEA £39,143.75 of which £8,206 was internal audit work relating to 2013/14 business year. In addition, we have accrued £5,357 in respect of internal audit work for the 2014/15 business year.

The position as at 31 March 2015 is as follows:

| | |
|----------------------|-----------------|
| Billed | £39,144 |
| 2013/14 | (£8,206) |
| Non audit work | (£5,255) |
| Accrual 2014/15 | £5,357 |
| Accrual 2013/14 | <u>(£2,175)</u> |
| Total 2014/15 | £28,865 |

b) The Care Quality Commission (CQC) is regarded as a related party. During the period the HFEA had various material transactions with the CQC.

The CQC invoiced the HFEA £373,105 in relation to rent, rates and other facility costs of which £109,964 related to 2013/14 and £2,000 are non-occupational costs. At 31 March 2015 we have accrued £23,013 representing rent and rates for the last days of March. £Nil was due to the HFEA from the CQC. Total transactions relating to occupation costs 2014/15 are as follows:

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| | |
|----------------------|-----------------|
| Billed | £373,105 |
| 2013/14 | (£109,964) |
| Non rent | (£ 24,209) |
| Accrual 2014/15 | <u>£ 23,013</u> |
| Total 2014/15 | £261,945 |

c) The Human Tissue Authority (HTA) is regarded as a related party. During the period the HFEA had transactions with the HTA to the value of £88,670.

At the 31 March 2015 in addition to the sums noted above, some accrued income was due from the above mentioned clinics which is included in the income from activities (note 5).

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18. Losses and Special payments

No losses or special payments arose during the period (£Nil 2013/14).

19. IFRSs, Amendments and interpretations in issue but not yet effective

The Treasury FReM does not require the following standards and interpretations to be applied in 2014/15. The application of the standards as revised would not have a material impact on the accounts in 2014/15, were they applied in that year:

IFRS 9 Financial Instruments

IFRS 13 Fair Value Measurement – expected to be effective in 2015/16

20. Events after the Reporting Period

The Accounting Officer authorised these financial statements for issue on the date on which the accounts are certified by the Comptroller and Auditor General

ISBN 978-1-4741-1845-3



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