Human Fertilisation & Embryology Authority

Annual report and accounts 2018/19

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Chief Executive's foreword

2018-19 has been a very successful year for the HFEA. The Authority has made a real impact in public debate on subjects like treatment add-ons, the social implications of egg freezing, the support for patients before, during and after treatment, and the commissioning of IVF. Our way of regulating has been increasingly cited as a model to follow in the healthcare sector and the wider field of regulation, particularly in areas of ethical concern or scientific advancement, such as in Artificial Intelligence, and we continue to attract international recognition for our regulatory model and the standards we have established across the UK.

Our new Code of Practice (the ninth), which we published in January 2019, contains for the first-time explicit requirements on the kind of leadership behaviours we want to see in clinics. We see improving the quality and consistency of clinic leadership as vital to improving the quality of care provided to patients. We held our first ever leadership events for clinic leaders (PRs) in autumn 2018, which were well received by the sector. These will become an annual feature of our engagement with clinics and we want to take advantage of the relatively small size of the sector to lever change.

One of the features of our regulatory focus in recent years has been on improving the support for patients that clinics provide. The shift we are looking for includes better care for patients who are unsuccessful (still, sadly, the majority), women who donate their eggs, women who choose to freeze their eggs in the hope of a pregnancy later in life (a small but growing number), and patients involved in surrogacy arrangements. The new edition of our Code of Practice has a renewed focus on support for such patients as a fundamental part of delivering high quality care.

A large part of our IT transformation programme was to make more of the data we hold, and in particular to turn that data into intelligence, to inform patients, the sector and the wider public. In 2018/19, we published a number of well received reports – on egg freezing, the state of the sector, and fertility trends. We also commissioned and published our first national fertility patient survey.

These new reports have also seen us adopt a more proactive and imaginative approach to our communications, utilising infographics and other tools for the first time. This transformation in the use of our intelligence is now established (even expected by the fertility sector and the media), and the investment we have made over the past few years is beginning to pay off, with patients gaining access to clearer, impartial information to help them make difficult treatment choices.

These achievements are all the more notable as they have been delivered against a tight resources position and high staff turnover caused by continuing constraints on public sector pay. I want to take this opportunity to thank all the staff at the HFEA for their expertise and hard work over the year.

Looking ahead, 2019/20 is the final year of our three-year strategy 2017-20 and so we are now beginning to focus on the next strategic period, 2020-23. We are particularly keen to continue to make progress on:

- ***Quality of care*** **–** we, and the sector, have made real strides in improving the quality of care over recent years, but we need to incentivise clinics to go further. We need, for example, to see more attention paid to the partners of patients.

- ***Right information*** **–** patients need good quality, impartial information if they are to make informed choices. We have made real progress on this, including for example, our work on the evidence base for treatment add-ons. But it is still the case that too many patients are not getting this information at the right time, particularly when they are first considering their options. We plan to work with GPs to try to get upstream of the issue, to guide women and couples who present to them with fertility problems.

- ***Shaping the future*** – we have a strong reputation as an organisation which can respond to developments in science and clinical practice, but in a fast-moving field we need to be more agile still. The experience of mitochondrial donation showed that we can shape public debate without overstepping our role, and the Authority is keen that we make more of our public voice in informing debate and to do more to be future ready.

Peter Thompson
Chief Executive

Performance Report

Overview

The past year represented the mid-point of our 2017-2020 strategy. We embedded a new set of tools and capabilities, an intelligence strategy to enable us to capitalise on the work done through the Information for Quality programme and a restructured workforce. We have begun to make better use of the data we hold to:

- assist clinics towards better performance, sharing more of their own performance data with them.
- make targeted regulatory interventions when this is merited, and
- provide a range of improved information for patients and our other stakeholder audiences, such as the 2018 egg freezing, state of the sector and fertility trends reports.

In line with our vision of ensuring high quality care for everyone affected by fertility treatment, last year we undertook our first national fertility patient survey, to gain valuable insight into the experiences of those going through fertility and donor treatments today. We have begun to bring this valuable intelligence to bear in our other work and it has shaped our plans for 2019/20.

We undertook major revisions and launched the 9th edition of our Code of Practice, which set out a new focus on clinic leadership and support for patients as fundamental for delivering high quality care. As part of our aim to proactively encourage and support leadership in clinics, we initiated a closer dialogue with centre PRs at leadership events in London and Manchester.

As part of our aim to be recognised as an 'employer of choice' and ensure that we have the capacity and capability to deliver our vision, we have implemented several aspects of our people plan for 2018-2020, reshaping our organisational culture and improving the offer to staff. We have invested in our internal systems, launching a new HR system and intranet and beginning a project to replace our document management system, with the aim of improving the effectiveness and efficiency of our internal communications, infrastructure and management.

Our legislation and functions

Our regulatory role and functions are set by two pieces of legislation:

- The Human Fertilisation and Embryology Act 1990 (as amended) – generally referred to as 'the 1990 Act'; and
- The Human Fertilisation and Embryology Act 2008 ('the 2008 Act').

Under this legislation our main statutory functions are:

- to license and inspect clinics carrying out in vitro fertilisation and donor insemination treatment;
- to license and inspect centres undertaking human embryo research;
- to license and inspect the storage of gametes (eggs and sperm) and embryos;
- to publish a Code of Practice, giving guidance to clinics and research establishments about the proper conduct of licensed activities;
- to keep a register of information about donors, treatments and children born as a result of those treatments;

- to keep a register of licences granted;
- to keep a register of certain serious adverse events or reactions;
- to investigate serious adverse events and serious adverse reactions and take appropriate control measures.

In addition to these specific statutory functions, the legislation also gives us 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 and Social Care 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.

Delivery in 2018/19

Our objectives for 2018/19 were as follows.

Safe, ethical, effective treatment

We carried out a full programme of clinic inspection, audit and licensing activities, increasing our emphasis on consistent standards and safety. We also began a conversation with the sector about clinic leadership, with the aim of putting in place new incentives to encourage and support excellent clinic leadership.

We maintained our strong focus on learning from incidents, adverse events and complaints from patients and published our annual review of clinic incidents in our December 2018 State of the sector report.

Throughout the year, our licensing committees considered inspection reports and applications for preimplantation genetic diagnosis (PGD), human leukocyte antigen (HLA) testing, and mitochondrial donation.

Our website includes a wide range of up-to-date scientific information to provide clear and unbiased information for patients about treatments and add-ons. And our annual horizon scanning process helped to ensure that our policy developments and website materials are informed by expert input and an understanding of current scientific issues and future developments. We worked with a range of stakeholders to publish a consensus statement on the responsible use of treatment add-ons in fertility services, to provide guidance to the sector on best practice.

We seek to encourage an enquiring culture and responsible innovation in clinics and to improve the overall quality of treatment by engendering world class data and embryo research and clinical trials. We continued to respond to requests from researchers for access to Register data for research purposes and reviewed the processes around our Register Research Panel to ensure that it remains fit for this purpose.

Consistent outcomes and support

We provided advice and information to patients about accessing treatment and donation via our website. We also worked with professional stakeholders (such as the British Fertility Society (BFS)) to put patients in touch with better information and services when they first realise they may have a fertility issue.

Through our inspection activities, we maintained our focus on quality and safety, focusing in particular on shortcomings in the taking and recording of consents, learning from incidents, medicines management, data submission, multiple birth rates, and the information clinics publish on their own websites. We also began to work with commercial groups of clinics to improve quality, consistency and compliance on a group-wide basis, as relevant.

We continued to work with NHS England on a piece of work led by them on price benchmarking, with the aim of assisting NHS commissioners in securing fair prices and effective fertility services for patients.

We continued to implement a project on the emotional experience of care before, during and after treatment, working with professional stakeholders to bring about improvement. This led to changes to the Code of Practice, implemented in January 2019.

With the aim of improving the chances of successful treatment, we have published more information in our data reports and focused on success rates through inspection reports and risk tool alerts.

We introduced new processes and certifications to fully comply with European Union (EU) requirements relating to the import and coding of donor eggs and sperm.

Improving standards through intelligence

We delivered a number of aspects of our Intelligence strategy which was approved by the Authority in January 2018 and sets out how we will analyse, publish and use our data to improve the quality of the information we produce and, ultimately, to provide a sharper focus in our regulatory work.

We maintained our role as the UK's competent authority for assisted reproductive technologies in the EU, participating in one meeting. We cooperated with the Department of Health and Social Care (hereafter "DHSC") to prepare for the UK's exit from the EU and began a project to consider the organisational and sector implications of this.

We completed our programme of improvement work on the Register infrastructure and maintained the Register of treatments and outcomes throughout the year, working with clinics to ensure accurate reporting of data. We also continued to publish the information we hold, and to respond to a range of enquiries from patients, clinics and central Government

Risks as at 31 March 2019

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 governance statement.

Risk area	Main strategic risks monitored	Related strategic theme
Regulatory effectiveness	Translation of data into quality	Improving standards through intelligence
	Loss of regulatory authority	
Effective communications	Messaging, engagement and information provision	Safe, ethical effective treatment; consistent outcomes and support
Cyber security	Security	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
	Infrastructure weaknesses	
Financial viability	Income and expenditure	Consistent outcomes and support
Capability	Knowledge and capability	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
Organisational change	Change-related instability	Improving standards through intelligence
Legal challenge	Resource diversion	Safe, ethical, effective treatment

Going concern

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

Performance analysis

Measuring performance

Each year, we agree a business plan with our sponsor department, the DHSC that includes strategic aims, high level objectives and key performance indicators covering delivery of our strategic plan.

We record performance against key performance indicators monthly and review achievement and action needed at the Corporate Management Group (CMG) meeting. A report is made to the Authority every two months and DHSC every quarter.

Analysis of performance in 2018/19

Performance indicators (KPI)	Target 2018/19	KPI	Target 2017/18	KPI
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	**60.0 working days**	70 working days	54.5 working days
B: Communication and information				
Opening the Register requests responded to within 20 working days	100%	**99% (327/329 requests)**	100%	100% (238 requests)
Requests for contributions to Parliamentary questions (PQs) answered within DHSC deadlines.	100%	**100% (117/117 PQs within deadline)**	100%	100% (44/44 PQs within deadline)
C: Corporate				
Staff sickness absence rate (%)	No more than 2.5%	**0.7%**	No more than 2.5%	1.4%
Cash and bank balance at end of the year	To continue to move further towards the DHSC's agreed minimum cash reserve of £1.52m	**£2.66m[1] (decreased from £3.23m in 17/18)**	To continue to move further towards the DHSC's agreed minimum cash reserve of £1.52m	£3.23m (increased from £2.35m at the end of 16/17)
Percentage of invoices paid within 10 calendar days	70% paid within 10 days	**90%**	70% paid within 10 days	93%
Debts collected within 60 calendar days	85%	**85%**	85%	89%

[1] Reduction in cash balance is due to use of cash reserves to fund PRISM and a reduction in GIA compared to 2017/18

Financial review

We are funded from two main sources:

- licence and treatment fees from the establishments we licence (85%), and
- grant-in-aid from the DHSC (15%).

65% of our expenditure is on staff costs. Our other administrative costs include spend on legal costs (4%) and facilities expenses (6%).

Summary position as at 31 March 2018

	2018/19	2017/18
	£'000s	£'000s
Expenditure		
Staff costs	4,391	4,232
General administrative costs	2,315	1,669
Total expenditure[2]	**6,706**	5,901
Revenue from contracts with customers	5,348	5,305
Other income	138	97
Total income[3]	**5,486**	5,402
Net (expenditure)/income before interest and tax[2]	**(1,220)**	(499)

Our financial results are included in the accounts on pages 44 to 47 and show that the deficit before interest and tax was £1,219,788 (17/18 a deficit of £499,305). This significant increase from last year is due to an increase in our permanent staff costs where we have recruited to vacant posts, and Agency staff costs (£615k compared to £467k in 2017/18). The use of agency staff was necessary to back-fill staff working on the Digital Projects. Expenditure on IT consultancy and support costs have been incurred in the 2018/19 business year totalling £313,913 accounting for some of the increase in running costs.

The DHSC provided grant-in-aid towards the financing of resource expenditure of £934,000 (2017/18: £933,000) and £500,000 Capital cover towards the funding of the Digital Projects (2017/18: £500,000 cash allocated and drawn down). We also received non-cash income (Ring-fenced RDEL) of £336,500 to cover our capital charges.

[2] This figure differs from the SoCNE due to rounding
[3] This does not include interest income

Below is a summary of our overall position; taking into account the resource financing, interest and tax, we had a surplus of £62,236 (2017/18 £438,392).

	2018/19	2017/18[4]
Net (expenditure)/income before interest and tax	**(1,220)**	(499)
Resource financing[5]	**1,270**	933
Finance Income	**15**	6
Net income/(expenditure)	**65**	440
Taxation	**(3)**	(1)
Surplus for the year	**62**	439

Other areas have remained largely the same with some downward movement in our legal fees (4%) and small increase in internal audit fees (2.7%). Costs incurred pertaining to the Digital Project known as PRISM – which is the register phase of the Information for Quality programme, have been transferred to our balance sheet under the heading Assets under construction to the value of £411k.

Cash reserves have decreased by £566k (18%) from the previous financial year. This is in part due to use of our reserves to fund the work PRISM and Data Migration work which are revenue and capital related.

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, we settled 100% of all invoices received within 30 days with a value of £2,965,044 (2017/18 100% with a value of £2,369,114).

Our staff

Recruitment

All appointments are made in accordance with our recruitment and selection policy so that they 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 them to take five days a year learning. We subscribe to Civil Service Learning which provides courses and resources for developing skills to all UK civil servants. This supports a blended approach which is convenient and cost-effective. Individual needs are set out in personal development plans and are met through appropriate means, including e-

[4] Figures in this column may vary to the accounts due to rounding

[5] Grant in aid is treated as financing within the statutory accounts and it is a requirement to report it this way. The Ring-fenced RDEL is an internal feature of government accounting.

learning, face-to-face learning and taking part in projects, coaching and job shadowing. We recently revised our policy on the allocation of our training budget, giving more flexibility to Heads of department to authorise a range of types of learning.

Staff development

This year has seen a refresh of our staff development policy. We have provided:

- Career coaching for managers
- Improving personal effectiveness
- Equality, Diversity, Inclusion and Unconscious Bias

Staff engagement and wellbeing

We promote staff engagement through various channels including regular all-staff and team meetings, our annual staff conference, a monthly staff bulletin and ad hoc working groups.

Staff Survey

Our annual staff survey gives us valuable insight into how people in HFEA are thinking, feeling and responding to change. In 2018/19, 87% (2017/18, 71%) of staff responded to the staff survey, an increase which can largely be explained by recent staff recruitment. Some 91% of our staff (2017/18, 84%) reported a clear understanding of the HFEA's purpose – which provides a very solid foundation which we can build on.

Disabled employees

We have long 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 we continue collectively 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 2019, of Authority members, permanent and seconded staff, is as follows:

	Male	Female	Total
Authority members	3	10	13
Senior Management Team (SMT)	2	1	3
All staff (including SMT, excluding Authority)	10	53	63[6]

[6] (2017/18 Male 13/Female 51)

Social, community, sustainability, human rights and environmental issues

We are sub-tenants of the National Institute for Health and Care Excellence (NICE) in Spring Gardens in central London. We collaborate with NICE on a number of issues, including health and safety services - we follow their 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 through less travelling.

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.

We pride ourselves on being a good employer, we have a range of practices and policies in place to protect the human rights of our staff, including policies on bullying, harassment and victimisation, grievance, and whistleblowing.

We manage our corporate responsibility by providing processes and policies which include but are not limited to policies on diversity; protecting human rights, equal opportunities, dignity at work and anti-fraud including anti-bribery and corruption.

Peter Thompson
Chief Executive
Accounting Officer **18 July 2019**

Accountability Report

Corporate governance report

Directors' report

Our board (the Authority)

Our board was previously made up of 12 members appointed through an open public process, although for much of the year we conducted our activities with only 11 members. In 2018/19 we gained agreement from the DHSC to increase to 13 members which allows us to recruit additional expertise to the board. Below are details of the current and out-going Authority members during the 2018/19 financial year. 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 2020 (re-appointed 13 September 2016)
Andy Greenfield	9 November 2009	31 December 2018 (term ended)
Lee Rayfield	23 April 2012	22 July 2018 (term ended)
Kate Brian	12 November 2014	11 November 2020 (re-appointed 27 September 2017)
Anthony Rutherford	12 November 2014	11 November 2020 (re-appointed 27 September 2017)
Yacoub Khalaf	30 April 2015	31 March 2021 (re-appointed 27 September 2017)
Margaret Gilmore (Deputy Chair)	30 April 2015	31 March 2021 (re-appointed 27 September 2017)
Anita Bharucha (Chair of AGC)	30 April 2015	31 March 2021 (re-appointed 27 September 2017)
Anne Lampe	1 February 2016	31 January 2022 (re-appointed 28 June 2018)
Ruth Wilde	1 January 2016	31 December 2021 (re-appointed 28 June 2018)
Bobbie Farsides	1 February 2017	31 January 2020
Professor Jonathan Herring	18 July 2018	17 July 2021
Rachel Cutting	18 July 2018	17 July 2021
Professor Gudrun Moore	18 July 2018	17 July 2021
Professor Emma Cave	1 October 2018	30 September 2021

Senior Management Team

Our Chief Executive and directors, and their responsibilities, during 2018/19 are set out below.

Peter Thompson, Chief Executive HR Legal		
Richard Sydee[7], Director of Finance and Resources	Clare Ettinghausen, Director of Strategy and Corporate Affairs	Nick Jones, Director of Compliance and Information (resigned 15 February 2019)
Budgeting Accounting Financial control Audit and risk assurance Facilities	Governance and licensing Regulatory policy Engagement and communications Business planning Programme management	Inspection and clinical governance Business support Information and Register Development Network support

Interests of Authority members and senior staff

We maintain a register of interests which is available on our website at www.hfea.gov.uk.

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.

Data incidents

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

Our auditors

The Comptroller and Auditor General is appointed by statute to audit our financial statements.
The fees of the National Audit Office are set out in note three 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.

[7] Richard Sydee is employed by the HFEA and is seconded to the Human Tissue Authority for 2.5 days per week.

Statement of 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, I am required as 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 (DHSC) has designated me, as the Chief Executive as the Accounting Officer for the organisation. My 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.

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

I confirm that, as far as I am aware, there is no relevant audit information of which the entity's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Accounts direction

The statement of accounts 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).

Authority statement

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

Governance statement

This statement sets out our governance and control framework during 2018/19 and the risks to HFEA performance. It explains how I have discharged my responsibility, as Accounting Officer, to manage and control the HFEA's resources in 2018/19.

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 Authority has 13 members (including one vacancy at present). There have been six Authority meetings in 2018/19, all of which were quorate. The Authority's meetings are open to the public and an audio recording of the meetings are on our website. The Authority has also held a number of workshops before its public meetings, which are used to discuss future strategy and other policy matters.

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 SMT. Feedback from members of the Authority, and the annual review of committees, suggests that the papers are 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 2019	Number of meetings 2018/19	Attendance rate
Authority	13	6	84%
Appointments Committee	3	1	100%
Audit and Governance Committee	4	4	100%
Executive Licensing Panel	3	12	100%
Licence Committee	5	6	90%

Committee	Membership at 31 March 2019	Number of meetings 2018/19	Attendance rate
Register Research Panel	7	4	96%
Remuneration Committee	3	3	100%
Statutory Approvals Committee	5	12	91%

Scientific and Clinical Advances Advisory Committee	4	3	82%

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, collectively the Senior Management Team (SMT).

The SMT are:

Peter Thompson	Chief Executive
Richard Sydee	Director of Finance and Resources (shared with the HTA)
Nick Jones (resigned 15 February 2019)	Director of Compliance and Information
Clare Ettinghausen	Director of Strategy and Corporate Affairs

The Director of Finance and Resources (and the Head of Finance) are shared with the HTA, an arrangement that has been successfully in place for over 5 years. Last year we reviewed the shared arrangements and concluded they are working well. This year has seen the streamlining of some policies and processes and a commitment to work more closely together in the coming years. This is particularly relevant as we commence with plans to relocate to new offices in 2020 with likely co-location with the HTA and other Health arm's length bodies.

The post of Director of Compliance and Information is currently being recruited to. During this period, strategic oversight is being maintained by the Chief Executive, with day-to-day responsibilities shared between the Chief Inspector and her two senior inspectors.

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 the project manager and sometimes also 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 covering each live project.

Corporate governance

We have a framework agreement with the DHSC which defines the critical elements of our relationship with them. The way in which we work with the DHSC, 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 DHSC for a formal annual accountability review and informally throughout the year. In addition, the SMT meets other DHSC officials at quarterly intervals, and has regular contact as issues require. Representatives from the DHSC are also present as observers at Board 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 DHSC in advance and quarterly monitoring information is also submitted to them. Along with meetings with the SDS and other officials at the DHSC, 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 Authority 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. In common with all public sector organisations, we have done so under continued pressure on our staff.

We look 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 Authority makes better use of its time is through 'workshop' sessions before full Authority meetings, where the Authority has the opportunity to delve into issues that have arisen or are on the horizon. This way of working makes more efficient and productive use of member and executive time and allows 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 is delegated appropriately and legally, adhering to the recommendations outlined in the Harris review.

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 as Chief Executive I am 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 positive, with defensible, evidenced decisions being made on the basis of robust paperwork.

Highlights of Authority and committee reports

The Authority considered a wide variety of issues in 2018/19. Its focus has been primarily on the development of the new Intelligence strategy, assisting clinics towards better performance; sharing more of their own performance data with them, providing a range of improved information for patients and our other stakeholder audiences such as the 2018 egg freezing, state of the sector and fertility trend reports. Oversight of our first national patient fertility patient survey and the publication of our 9th edition of our Code of Practice.

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 Committee discussed the introduction of PRISM, issues affecting it such as data migration, additional expertise required to assist in implementation. 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.

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 levels of activity in these committees increased significantly over the year and we have reviewed the operational workings of the committees resulting in additional resource in committee administration.

The Scientific and Clinical Advances Advisory Committee has provided high-quality advice and exercised its delegated functions appropriately.

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, although the Authority have taken considered decisions to approve novel and new treatments and continue to monitor and approve evidence-based developments in the sector. 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.

A comprehensive description of current risk management procedures is set out in our risk policy that was updated in December 2018.

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
- 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 SMT based on ongoing consideration of risks to delivering our strategy, including any major current operational risks. Teams each maintain a risk log capturing their own operational level risks, and the top risks are regularly shared at CMG risk meetings. 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 the project manager (and sometimes also 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 resources available for our wider programme of work continues to be restrained by the wider public-sector constraints on growth. Where we have experienced increase in our income this has not enabled us to increase expenditure on regulatory activity. We maintain our expenditure in line with budgets agreed with the DHSC and our stakeholders. This also impacts on our ability to respond or address emerging issues within the sector we regulate.

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 recommendations[8].

Risk assessment

Systematic Regulatory risks such as the potential for poor quality or unsafe care, or any loss of our authority as a regulator is one of our key strategic risks which we maintain focus upon and track accordingly. Another important area of risk is the need to successfully deliver the Digital Projects and improve our engagement channels, the usage and accuracy of our Register information, and achieving promised efficiencies.

Other risks include risks to our data or information accuracy, legal challenges, and our staff capacity and capability. Our ongoing mitigating activities are managed and monitored through the systems described earlier. 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.

This year we have continued to review and amend our approach to cyber-risk and focussed on how secure our system and data are. This is an area that has increased in relevance as we have made significant investment in modernising our information systems.

As at 31 March 2019 the HFEA risk register captured seven risks. Of these there was one risk considered high (i.e. with a score of 12 or more) which relates to capability gaps and unforeseen loss of knowledge that could impact delivery of our Strategy.

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 our Digital Projects in the coming year.

The inception of General Data Protection Regulation (GDPR) has required we undertake a thorough review of the personal data we hold, how it is used and how we communicate our approach to the public. Although the information we hold on our Register is exempt these regulations we made considerable progress in identifying the data we hold that does fall within the scope of GDPR. Our Internal Auditors conducted an audit of our compliance with GDPR in February 2019, to provide independent and objective assurance that there were robust and effective governance and risk management arrangements in place to comply with the Data Protection Act 2018/GDPR. The outcome of this audit was that the process and procedures implemented has been successful, with only a small number of areas for improvement.

There were no data losses within the last year and we continue to work hard to ensure that remains the case.

[8] Available at www.gov.uk/government/publications/review-of-quality-assurance-of-government-models.

Whistleblowing arrangements

Our Public Interest Disclosure (Whistleblowing) policy sets out how any concerns can be raised by staff and what action would be taken. It aims to reassure staff that they should raise concerns openly and that there will be no repercussions for them if they raise concerns in good faith. The policy has been communicated to staff through line management and our intranet.

As well as line management and HR channels, staff can approach the NAO hotline and Public Concern at Work for advice.

During the year, there have been no concerns raised under whistleblowing arrangements. Staff raise issues and make suggestions as part of day to day working in line with our culture.

Internal incidents

Our Executive maintains an internal incident procedure, which ensures that any process failures are quickly and thoroughly investigated. This allows SMT to learn lessons and correct potential procedural failures. The system and associated documentation is reviewed annually to ensure it remains in line with our other documentation and overall brand.

Overall conclusion

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of our head of internal audit and assurance, who has reviewed the following areas:

- Cyber security;
- business continuity planning;
- review of GDPR compliance and
- Anti-Fraud controls.

I have noted the GIAA's annual report, which concludes that the HFEA "moderate governance, risk and control arrangements". He has arrived at this opinion through:

- Conducting a detailed risk-based internal audit needs assessment, from which he has prioritised activity over a three-year planning period to design an internal audit strategy and annual operational plan;
- Monitoring the implementation of internal audit recommendations throughout the year.

As we look to the future, I have full confidence that we will continue to develop assurance mechanisms, while improving the quality of our work and seeking to provide best value for public finances and patients.

Peter Thompson
Chief Executive
Accounting Officer **18 July 2019**

Remuneration report

Audit

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

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 2018/19 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).

Performance appraisal

A personal objective-setting process that is aligned with the business plan is agreed with each member of staff annually and all staff are subject to an annual performance appraisal.

Duration of contracts, notice periods and termination payments

Members of staff in bands one (assistant grade) and two (officers) must provide six weeks' notice of termination of their contracts. Members of staff in band three (managers) and above must provide three months' notice of termination of their contracts. The HFEA has a statutory duty to provide notice to staff of between one week and twelve weeks' notice depending on continuous service in line with the Employment Rights Act 1996.

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 ALB 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 2018/19.

Appeals Committee

The Appeals Committee Chair receives a fee of £269 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 any members of the Appeal Committee in the period ended 31 March 2019

End of service

Staff can access their Civil Service pension at different times, depending on the scheme they are in. The normal pension age for those in the classic/premium scheme is 60, for those in the Nuvos scheme it is 65 and for those in the Alpha scheme it is the later of 65 or the state pension age. However, some staff may wish to work beyond these ages.

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

Health and safety

We are committed to adhering to the Health and Safety at Work Act 1974 and other related requirements to ensure that staff and visitors enjoy the benefits of a safe environment. There were no accidents or near misses reported during the year.

Trade Unions

Under the Facility Time Publication Requirements Regulations of 2017, the HFEA are required to disclose the number of staff, costs and time spent on facility time by an employee who is a relevant union official if it meets certain criteria.

The HFEA does not employ any staff members who allocate their time on trade union activities.

Remuneration and benefits to Authority members for the year ending 31 March 2019 (Audited)

Name	Salary range £000s	Expenses (to nearest £100)[9] £	Total £000s	Salary range £000s	Expenses (to nearest £100) £	Total £000s
	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
Sally Cheshire (Chair)	45-50	13,800	60-65	45-50	14,500	60-65
Andy Greenfield*	5-10	800	5-10	5-10	900	5-10
Lee Rayfield*	0-5	200	0-5	5-10	1,300	5-10
Kate Brian	5-10	100	5-10	5-10	100	5-10
Anthony Rutherford	5-10	0	5-10	5-10	500	5-10
Yacoub Khalaf	5-10	0	5-10	5-10	0	5-10
Margaret Gilmore	5-10	1,600	10-15	5-10	1,900	10-15
Anita Bharucha	10-15	900	10-15	10-15	800	10-15
Anne Lampe	5-10	2,400	10-15	5-10	3,700	10-15
Ruth Wilde	5-10	1,900	5-10	5-10	1,000	5-10
Bobbie Farsides	5-10	400	5-10	5-10	600	5-10
Rachel Cutting	5-10	900	5-10	N/a	N/a	N/a
John Herring	5-10	200	5-10	N/a	N/a	N/a
Gudrun Moore	5-10	0	5-10	N/a	N/a	N/a
Emma Cave	0-5	2,100	5-10	N/a	N/a	N/a

*Members who left but have been included for comparative figures.

[9] These expenses are shown net of tax and national insurance

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 regard 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.

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

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 DHSC. This is in accordance with the pay framework for very senior managers (VSM) 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 VSM pay framework.

The members of the Remuneration Committee during the year were Sally Cheshire (Chair), Margaret Gilmore and Anita Bharucha.

Remuneration and pension benefits of the senior management team (Audited)

Name	Salary (£'000)		Bonus payments (£'000s)		Benefits in kind (to nearest £100)		Pension benefits[10] (£'000s)		Total (£'000s)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Peter Thompson	140-145	135-140	0-5	0	0	0	45-47.5	(7.5-10)	185-190	130-135
Nick Jones (resigned 15 February 2019)	85-90 (Fte 95-100)	95-100	0	0-5	0	0	32.5-35	37.5-40	120-125	135-140
Richard Sydee	90-95	90-95	0	0	0	0	35-37.5	35-37.5	125-130	125-130
Clare Ettinghausen (appointed 29 January 2018)	90-95	15-20 (Fte 90-95)	0	0	0	0	35-37.5	5-7.5	125-130	20-25
Juliet Tizzard (resigned 1 January 2018)	0	65-70 (Fte 90-95)	0	0	0	0	0	22.5-25	0	90-95

[10] 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.

Median pay and multiples (Audited)

	2018/19	2017/18 (re-stated)[11]
Band of highest paid director's gross salary only	£140k-£145k	£135k-£140k
Median total remuneration	£38,608	£36,907
Ratio – gross salary only	3.69	3.73

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 including temporary and contract staff.

The banded remuneration of the highest-paid director in the financial year 2018/19 was £140,000-£145,000 (2017/18 £135,000-£140,000). This was 3.69 times (2017/18, 3.73) the median remuneration of the workforce, which was £38,608 (2017/18 £36,907). In 2018/19, 0 (2017/18, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged £24,000 to £143,000.

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

Staff report (Audited)

The HFEA has a headcount of 63 staff members excluding Authority members and including the SMT as at 31 March 2019. Below is a breakdown of staff costs and an analysis of directly employed staff.

	Permanently employed staff	Members	Temporary staff	2018/19 Total	2017/18 Total
	£	£	£	£	£
Salaries and wages	2,764,007	145,569	615,575	3,525,151	3,398,424
Social security costs	288,362	6,247	0	294,609	281,169
Other pension costs	571,365	0	0	571,365	552,175
Net staff costs	**3,623,734**	**151,816**	**615,575**	**4,391,125**	**4,231,768**
Less recoveries in respect of outward secondments	(137,650)	0	0	(137,650)	(96,906)
Total Net Staff costs	**3,486,084**	**151,816**	**615,575**	**4,253,475**	**4,134,862**

[11] 2017/18 figures have been re-stated to include temporary and contract staff

Exit packages (Audited)

There were no exit packages paid in 2018/19.

Average number of persons permanently employed and outwardly seconded (Audited)

	Permanently employed	**Seconded**	**2018/19 Total**	**2017/18 Total[12]**
SCS[13]	4	0	4	4
Other	58	1	59	57
Total	62	1	63	61

Sickness and absences

Our sickness absence aim is to lose no more than 3% of time in staff sickness absence and in 2018/19 we achieved 0.7% (2017/18 1.4%). This compares favourably with the public-sector sickness absence rate average which is 2.6% (Office for National Statistics (ONS) 2017).

[12] These numbers have been rounded.
[13] Includes the Shared Director

Review of tax arrangement of public sector appointees - off-payroll engagements

Off-payroll engagements longer than 6 months

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that lasted for longer than 6 months.

Number of existing engagements as of 31 March 2019	5
Of which…	
Have existed for less than 1 year at time of reporting	1
Have existed for between 1 and 2 years at time of reporting	3
Have existed for between 2 and 3 years at time of reporting	1
Have existed for between 3 and 4 years at time of reporting	0
Have existed for 4 or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months

Number of existing engagements as of 31 March 2019	1
Of which…	
No. assessed as caught by IR35	0
No. assessed as not caught by IR35	1
No. engaged directly (via PSC contracted to department) and are on the department payroll	0
No. of engagements reassessed for consistency/assurance purposes during the year	0
No. or engagements that saw a change to IR35 status following the consistency review	0

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	**0**
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	4

Consultancy

Our expenditure on Consultancy is £259,715 as listed within the financial statements on page 52 and relates to legal costs incurred.

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 table provides details of the remuneration and pensions of the Chief Executive and directors. These figures are subject to audit.

The pension entitlements of the most senior managers in the HFEA (Audited)

Name and position	Total accrued pension at pension age at 31 March 2019				Employer's contribution to stakeholder pension
	Band	Band			
	£'000s	£'000s	£'000s	£'000s	£'000s
Peter Thompson Chief Executive	55-60	2.5-5	950	1105	0
Richard Sydee Director of Finance and Resources	5-10	0-2.5	29	58	0
Nick Jones Director of Compliance and Information	20-25	0-2.5	240	297	0
Clare Ettinghausen Director of Strategy and Corporate Affairs (appointed 29 January 2018)	0-5	0-2.5	4	27	0

All senior managers listed are employed on a permanent basis and are covered by the terms of the Principal Civil Service Pension Scheme.

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” are unfunded multi-employer defined benefit schemes but the HFEA is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the PCSPS as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at
https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2018/19, employers’ contributions of £557,354 were payable to the PCSPS (2017/18 £547,170) at one of the four rates in the rage 20.0% to 24.5% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018/19 to be paid when the member retires and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with employer contribution. Employers’ contributions of £13,230 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £781, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with ‘The occupational pension schemes (transfer values) (amendment) regulations 2008’ and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

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.

Peter Thompson
Chief Executive
Accounting Officer

18 July 2019

Parliamentary accountability and audit report

Accountability

Fees and charges (Audited)

Our licence fees are set to recover the full cost incurred in the granting of licences and regulation. The table below shows the income from the sector for licensing activities and the associated costs of licensing.

	March 2018/19	March 2017/18
	£	£
Income from regulatory activity[14]	5,363,165	5,310,861
Costs allocated to regulatory activity	(5,486,045)	(4,946,765)
Surplus/(Deficit)	**(122,880)**	**364,096**

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

Licence fee income is derived from a fixed fee charged on the number of treatment cycles that are undertaken across the sector in the financial year. In some years it has proven difficult to predict the number of cycles accurately and this was true in 2018/19 and accounts for the surpluses generated. Our forecasting model developed in 2017 continues to be used to aid income prediction.

In addition, there are elements of our work that do not relate directly to the cost of regulating the sectors below. The DHSC accordingly contributes to the funding of these activities through the provision of grant-in-aid.

Losses and special payments (Audited)

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for health service or passed legislation. By their nature they are items that should not arise and are therefore subject to special controls. The HFEA had no losses or special payments in 2018/19.

Remote contingent liabilities (Audited)

There are no remote contingent liabilities this year.

[14] Income includes interest received. The total differs from note 4 in the accounts due to the exclusion of income that is not related to regulatory activity.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Human Fertilisation and Embryology Authority ("the Authority") for the year ended 31 March 2019 under the Human Fertilisation and Embryology Act 1990. The financial statements comprise: The Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Authority's affairs as at 31 March 2019 and of net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Human Fertilisation and Embryology Act 1990 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Authority and Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Human Fertilisation and Embryology Act 1990.

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

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

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Human Fertilisation and Embryology Act 1990;

- in the light of the knowledge and understanding of the Human Fertilisation and Embryology Act 1990 and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 19 July 2019**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Statement of comprehensive net expenditure for the year ended 31 March 2019

	NOTE	**31 March 2019** **£**	31 March 2018 £
Income			
Revenue from contracts with customers	4	5,348,475	5,305,022
Other operating income	4	137,650	97,306
		5,486,125	5,402,328
Expenditure			
Staff costs	3	4,391,125	4,231,768
Purchase of goods and services	3	314,101	324,221
Depreciation, amortisation and impairment charges	3	343,847	227,093
Other operating expenditure	3	1,656,840	1,118,551
		6,705,913	5,901,633
Net operating expenditure		**(1,219,788)**	(499,305)
Finance income	4	14,690	5,839
Net expenditure for the year		**(1,205,098)**	(493,466)
Taxation		(2,791)	(1,142)
Net comprehensive (expenditure) for the year		**(1,207,889)**	(494,608)

The notes on pages 48 to 63 form part of these accounts.

Statement of financial position as at 31 March 2019

	NOTE	**31 March 2019** £	31 March 2018 £
Non-current assets:			
Property, information technology and office equipment	5	**30,570**	39,162
Intangible assets	6	**1,515,284**	1,288,319
Total non-current assets		**1,545,854**	1,327,481
Current assets:			
Trade and other receivables	8	**898,755**	956,890
Cash and cash equivalents	9	**2,661,299**	3,227,729
Total current assets		**3,560,054**	4,184,619
Total assets		**5,105,908**	5,512,100
Current liabilities			
Trade and other payables	10	**(524,515)**	(631,443)
Provisions	11	**0**	(25,000)
Total current liabilities		**(524,515)**	(656,443)
Non-current assets less net current liabilities		**4,581,393**	4,855,657
FINANCED BY:			
Taxpayers' equity			
I&E reserve		**(4,581,393)**	(4,855,657)
Total taxpayers' equity:		**(4,581,393)**	(4,855,657)

The notes 1 to 16 form part of these accounts.

The financial statements on pages 44 to 47 were approved by the board on 18 June 2019 and signed on its behalf by:

Peter Thompson
Chief Executive

Date: 18 July 2019

Statement of cash flows for the year ended 31 March 2019

	NOTE	31 March 2019 £	31 March 2018 £
Cash flows from operating activities			
Net operating surplus/(deficit) after interest		**(1,205,098)**	(493,466)
Depreciation and amortisation	3	**272,709**	227,093
(Increase)/decrease in trade and other receivables	8	**58,135**	219,078
Increase/(decrease) in trade and other payables	10	**(106,928)**	57,936
Taxation		**(2,791)**	(1,142)
Use of provisions	11	**(25,000)**	(93,000)
Net cash inflow/(outflow) from operating activities		**(1,008,973)**	(83,501)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(11,167)**	0
Purchase of intangible assets	6	**(479,915)**	(474,674)
Net cash inflow/(outflow) from investing activities		**(491,082)**	(474,674)
Cash flows from financing activities			
Grants from sponsoring department		**933,625**	1,433,000
Net cash inflow/(outflow) from financing activities		**933,625**	1,433,000
Net financing		**(566,430)**	874,825
Net increase/(decrease) in cash and cash equivalents in the period	9	**(566,430)**	874,825
Cash and cash equivalents at the beginning of the period	9	**3,227,729**	2,352,904
Cash and cash equivalents at the end of the period		**2,661,299**	3,227,729

The notes 1 to 16 form part of these accounts

Statement of changes in taxpayers' equity
For the year ended 31 March 2019

	Total I&E reserve
	£
Balance at 1 April 2017	3,917,265
Changes in taxpayers' equity for 31 March 2018	
Grant from Department of Health and Social Care	1,433,000
Comprehensive income/(expenditure) for the year	(494,608)
Balance at 31 March 2018	**4,855,657**
Changes in taxpayers' equity for the year ended 31 March 2019	
Grant from Department of Health and Social Care	933,625
Comprehensive income/(expenditure) for the year	(1,207,889)
Balance at 31 March 2019	**4,581,393**

The notes on pages 48 to 63 form part of these accounts

Notes to the accounts

1. Statement of accounting policies

The 2018/19 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 (FReM), 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 FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be 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 Accounting Policies and estimates

There are changes to accounting policies arising from IFRS 9 and 15 see notes 1.7 and 1.9. The effect of introduction of these standards have had minimal impact on these financial statements. There are no voluntary changes to the accounting policies that have had an impact in these accounts.
The Accounting policies below have been applied to the accounts for 2018/19.

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:

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 four years.

1.4 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 £5,000 or more 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 2019 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.

1.5 Assets under Construction (Development expenditure)

These are the costs related to the PRISM phase of our IfQ (Digital projects) whether that be the costs of hardware, application or developer costs. These assets are not depreciated.

1.6 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 following are critical judgements that have been made in the process of applying HFEA's accounting policies:

Provisions and accruals have been based upon information provided by staff throughout 2018/19 and at year end.

An Impairment review was conducted due to the implementation of IFRS 9 where historical debtor information, current economic climate, profile of the sector have been taken into account. Deferred income estimates are based upon licensing information provided by the Inspectorate teams.

1.7 Impairments

IFRS 9 requires the recognition of impairments on a forward looking expected credit loss model. HMT has interpreted the provision in the standard for calculating the expected credit loss to mandate the use of the simplified approach. This means that the loss allowance at initial recognition is equal to the lifetime expected credit loss.

An assessment of the HFEA's financial assets has resulted in the movement in the value of the impairment of receivables. In carrying out this assessment, account is taken of the sector, economic climate and trends. A default rating which is weighted is applied to aged debts over the periods of 35, 60 and 95 days.

1.8 Grant-in-aid

Grant-in-aid received from DHSC 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 I&E reserve, because it is regarded as contributions from a controlling party.

1.9 Operating income

IFRS 15 - Revenue from contracts with customers is applied to annual reporting periods beginning on or after 1 January 2018. It supersedes IAS 10 - Revenue, and has been applied for the first time to this year's annual accounts. Assessment of the impact of IFRS 15 was conducted and found to have very little impact on how the HFEA recognises it's income.

The main source of funding for the HFEA is treatment fee income from the clinics it regulates. A smaller amount of income is received from the same clinics in respect of licence fee renewals.

Under IFRS 15 and the 5-step model, there is a contractual arrangement between the HFEA and the clinics it regulates. The underlying legislation is deemed to enforce contractual obligations on both parties and thus these arrangements are viewed as contracts under the standard. Performance obligations exist between the HFEA and fertility clinics and the human embryo research centres it regulates. The clinics and centres must maintain standards in line with our Code of Practice and submit details of treatments conducted for which they will be granted a licence. A transaction price (for both licence fees and treatment fees) is chargeable. The recognition of this income is in the financial year in which it is invoiced, this being the point in time at which the performance obligation (the granting of a licence or the ongoing regulation of treatments provided) is deemed to be satisfied.

Other income received by the HFEA relates to seconded staff and is recognised on an accruals basis, with the performance obligation deemed to be the point at which these services are delivered.

Following our assessment of all income streams against the new criteria, there has been no adjustment to the accounts for the cumulative effect of applying IFRS 15.

1.10 Operating leases

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

IFRS 16 is coming into force in 2020 and changes the way leases are recognised, this may have a significant impact on our accounts as we have rental leases. (see note 1.15)

1.11 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.

1.12 Cash

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

1.13 Financial instruments

Financial assets and financial liabilities arise from the Authority'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, contract with customer 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.

1.14 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.

1.15 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 2018/19. The application of the standards as revised may have a material impact on the accounts in 2018/19, were they applied in that year.

IFRS 16 Leases replaces IAS 17 and is effective for the public sector from 1 January 2020. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of most leases which last more than 12 months to be recognised on balance sheet. The new standard will therefore impact on the Authority's operating leases which are disclosed in Note 13.

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.

	Note	31 March 2019 £	31 March 2018 £

3. Operating expenditure

	Note	31 March 2019 £	31 March 2018 £
3.1 Staff costs			
Permanently employed staff costs		**3,623,734**	3,626,813
Members' allowances		**151,816**	138,352
Agency and other temporary costs		**615,575**	466,603
	3(a)	**4,391,125**	4,231,768
3.2 Purchase of goods and services			
Professional & administrative fees	(b)	**259,715**	270,536
Auditors' remuneration and expenses	(c)	**54,386**	53,685
		314,101	324,221
3.3 Depreciation and impairment charges			
Depreciation & amortisation	5,6	**272,709**	227,093
Impairment charges		**71,138**	0
Loss on disposal of assets		**0**	0
		343,847	227,093
3.4 Other operating expenses			
Rentals under operating leases		**407,558**	361,540
Running costs		**936,843**	449,875
Other staff costs		**312,439**	282,136
Provision provided in year	11	**0**	25,000
		1,656,840	1,118,551
Total		**6,705,913**	5,901,633

Notes

b) Professional and administrative fees are legal costs incurred this year.

c) Audit expenditure is as follows:

	31 March 2019 £	31 March 2018 £
External audit	28,000	28,000
Internal audit	26,386	25,685
	54,386	53,685

External audit expenditure is the accrued fee for the NAO for 12 months. The internal audit costs relate to audits carried out in 2018-19.

3a. Staff costs

	31 March 2019 Total	Permanently Employed Staff	Members	Temporary staff	31 March 2018 Total
	£	£	£	£	£
Wages and salaries	**3,525,151**	2,764,007	145,569	615,575	3,398,424
Social security costs	**294,609**	288,362	6,247	0	281,169
Other pension costs	**571,365**	571,365	0	0	552,175
Staff costs	**4,391,125**	3,623,734	151,816	615,575	4,231,768
Less recoveries in respect of outward secondments	**(137,650)**	(137,650)	0	0	(96,906)
Total Net staff costs	**4,253,475**	3,486,084	151,816	615,575	4,134,862

As set out in note 1.11, further information in respect of Civil Service Pensions is provided in the remuneration report on pages 27 to 37.

Average number of staff employed

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

	Permanent staff	Seconded staff	31 March 2019 Total	31 March 2018 Total
SCS	4	0	4	4
Other	58	1	59	57
Total	62	1	63	61

Temporary staff costs of £615,575 are included within salaries and wages. Below are the actual number of temp staff utilised in the 2018/19 financial year. The average is 7 FTE.

			21	18

4. Income

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

Analysis of income

	31 March 2019 £	31 March 2018 £
Licence fee income	5,348,475	5,305,022
Other income-interest	14,690	5,839
Other operating income	137,650	97,306
Total income for the year	**5,500,815**	5,408,167

Other operating income includes income from seconded staff to the HTA

5. Property, plant and equipment

	Information technology £	Office equipment £	Total £
Cost or valuation:			
At 1 April 2018	**152,925**	**8,490**	**161,415**
Additions purchased	5,428	5,739	**11,167**
Disposals	(5,428)	0	**(5,428)**
At 31 March 2019	**152,925**	**14,229**	**167,154**
Depreciation			
At 1 April 2018	**116,284**	**5,969**	**122,253**
Charged during the year	18,099	1,660	**19,759**
Disposals	(5,428)	0	**(5,428)**
At 31 March 2019	**128,955**	**7,629**	**136,584**
Carrying value at 31 March 2019	**23,970**	**6,600**	**30,570**
Carrying value at 31 March 2018	36,641	2,521	39,162
Asset financing:			
Owned	23,970	6,600	**30,570**
Total at 31 March 2019	**23,970**	**6,600**	**30,570**

31 March 2018	Information technology £	Office equipment £	Total £
Cost or valuation:			
At 1 April 2017	**199,813**	**17,470**	**217,283**
Additions purchased	0	0	**0**
Disposals	(46,888)	(8,980)	**(55,868)**
At 31 March 2018	**152,925**	**8,490**	**161,415**
Depreciation			
At 1 April 2017	**136,099**	**12,238**	**148,337**
Charged during the year	27,073	2,711	**29,784**
Disposals	(46,888)	(8,980)	**(55,868)**
At 31 March 2018	**116,284**	**5,969**	**122,253**
Carrying value at 31 March 2018	**36,641**	**2,521**	**39,162**
Carrying value at 31 March 2017	63,714	5,232	68,946
Asset financing:			
Owned	36,641	2,521	**39,162**
Total at 31 March 2018	**36,641**	**2,521**	**39,162**

6. Intangible assets

	Software licenses	Constructed software[1]	Asset under construction development expenditure	Total
	£	£	£	£
Cost or valuation:				
At 1 April 2018	**258,681**	**1,476,349**	**474,674**	**2,209,704**
Additions purchased	69,338	0	410,577	479,915
Reclassification	0	0	0	0
Disposals	(2,203)	0	0	(2,203)
At 31 March 2019	**325,816**	**1,476,349**	**885,251**	**2,687,416**
Depreciation				
At 1 April 2018	**239,371**	**682,014**	**0**	**921,385**
Charged during the year	8,539	244,411	0	252,950
Disposals	(2,203)	0	0	(2,203)
At 31 March 2019	**245,707**	**926,425**	**0**	**1,172,132**
Carrying value at 31 March 2019	**80,109**	**549,924**	**885,251**	**1,515,284**
Carrying value at 31 March 2018	**19,310**	**794,335**	**474,674**	**1,288,319**
Asset financing:				
Owned	80,109	549,924	885,251	**1,515,284**
Total at 31 March 2019	**80,109**	**549,924**	**885,251**	**1,515,284**

31 March 2018	Software Licenses	Constructed Software	Asset under Construction	Total
	£	£	£	£
Cost or valuation:				
At 1 April 2017	**261,213**	**498,706**	**977,643**	**1,737,562**
Additions purchased	0	0	474,674	474,674
Reclassification	0	977,643	(977,643)	0
Disposals	(2,532)	0	0	(2,532)
At 31 March 2018	**258,681**	**1,476,349**	**474,674**	**2,209,704**
Depreciation				
At 1 April 2017	**227,902**	**498,706**	**0**	**726,608**
Charged during the year	14,001	183,308	0	197,309
Disposals	(2,532)	0	0	(2,532)
At 31 March 2018	**239,371**	**682,014**	**0**	**921,385**
Carrying value at 31 March 2018	**19,310**	**794,335**	**474,674**	**1,288,319**
Carrying value at 31 March 2017	33,311	0	977,643	1,010,954
Asset financing:				
Owned	19,310	794,335	474,674	1,288,319
Total at 31 March 2018	**19,310**	**794,335**	**474,674**	**1,288,319**

[1]Constructed software is the cost of HFEA's website, Choose-a-Fertility Clinic (CaFC) and the Clinic Portal which collectively were known as the Information for Quality Project that concluded in July 2017.

7. Financial instruments

IFRS 7 Financial Instruments Disclosure requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an organisation faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk at the HFEA than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the HFEA in undertaking 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 0.27% of the total revenues of the HFEA. 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 variable rate was cash at bank of £2,661,301. As at 31 March 2019, none of the HFEA's financial liabilities were carried at a variable 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 2019. There was therefore no significant foreign currency risk during the year.

8. Trade and other receivables

	31 March 2019	31 March 2018
	£	£
Analysis by type		
Trade receivables (contract with customers)	357,313	244,298
Impairment for expected credit losses	(71,138)	0
Prepayments and accrued income	599,974	680,874
Other receivables	12,606	31,718
Total	898,755	956,890

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.

All debts were due for settlement within one year of the date of the statement of financial position.

9. Cash and cash equivalents

	31 March 2019
	£
Balance at 31 March 2017	2,352,904
Net change in cash	874,825
Balance at 31 March 2018	3,227,729
Net change in cash	(566,430)
Balance at 31 March 2019	**2,661,299**

£1,928,281 of the balance at 31 March 2019 was held with the Government Banking Services (£2,732,738 in 2017/18). The remaining balance was held at commercial banks.

No cash equivalents were held during the year.

10. Trade payables and other current liabilities

	31 March 2019 £	31 March 2018 £
Analysis by type		
Trade payables	166,314	63,379
Accruals and deferred income	346,713	552,545
Other taxation and social security	1,137	0
Other payables	10,351	15,519
Total	**524,515**	631,443

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

11. Provisions

	Legal costs	Early retirement and reorganisation costs	2018/19 Totals	2017/18 Totals
	£	£	£	
Balance at 1 April 2018	**25,000**	**0**	**25,000**	118,000
Provided in period	0	0	0	25,000
Utilised in the period	(25,000)	0	(25,000)	(118,000)
Release of provision for the period	0	0	0	0
Balance at 31 March 2019	**0**	**0**	**0**	25,000

Analysis of expected timing of payment or release of provisions	Legal Costs	Early retirement and reorganisation costs	2018/19 Totals	2017/18 Totals
	£	£	£	£
No later than one year	0	0	0	25,000
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	0	**0**	**0**	25,000

12. Capital commitments

There were no capital commitments as at 31 March 2019 (2017/18 £Nil).

13. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below.

	31 March 2019	31 March 2018
	£	£
Obligations under operating leases for the following periods are:		
Buildings		
Not later than one year	372,280	367,337
Later than one year not later than five years	278,460	649,696
	650,740	1,017,033
Other		
Not later than one year	5,393	5,393
Later than one year not later than five years	4,045	9,438
	9,438	14,831
	660,178	1,031,864

14. Contingent liabilities

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 may give rise to later challenge, including a risk of legal action.

At the date of finalising these accounts, there were no matters of litigation that may have financial consequences for the HFEA.

15. Related party transactions

a) The Department of Health and Social Care (DHSC) is regarded as a related party. During the period the HFEA had various material transactions with the DHSC and with some NHS trusts for which the Department of Health and Social Care is regarded as the parent department.

During the period the HFEA received £933,625 (2017/18 £933,000) from the DHSC in relation to operational grant-in-aid and £500,000 (2017/18 £500,000) cover for capital expenditure for our IfQ programme. At the 31 March 2019 the HFEA had drawn down all of it's cash allocation.

The DHSC invoiced the HFEA £22,020 in addition, we have accrued £8,503 in respect of internal audit work and recruitment services for the 2018/19 business year.

b) The National Institute for Health and Care Excellence (NICE) is regarded as a related party. During the period the HFEA had various material transactions with the NICE.

The NICE invoiced the HFEA £430,424 in relation to rent, rates and other facility costs. At 31 March 2019 we have accrued £7,330 representing catering charges for the fourth quarter of 2018/19. £Nil was due to the HFEA from the NICE.

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 £107,681.

16. 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.

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