

HUMAN FERTILISATION AND EMBRYOLOGY AUTHORITY Annual Report and Accounts 2013/14

**HUMAN FERTILISATION AND
EMBRYOLOGY AUTHORITY**

Putting patients at the centre of what we do

Annual Report
and Accounts
2013/14

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EMBRYOLOGY AUTHORITY**

Annual Report and Accounts 2013/14

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Human Fertilisation and Embryology Act 2008

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Chair and Chief
Executive's Foreword

Chair and Chief Executive's Foreword



Mrs Sally Cheshire
Chair

It is over 30 years since the birth of the world's first 'test tube' baby, Louise Brown. And it is over 20 years since the establishment of the world's first regulator of assisted reproduction and research involving human embryos – the Human Fertilisation and Embryology Authority (HFEA).

Since then, society's attitudes towards assisted reproduction techniques, like in vitro fertilisation (IVF), have changed greatly and scientific and clinical advances have continued apace, throwing up new challenges. It is because of these developments that we decided to issue a consultation, in January 2014, on a range of proposals that will inform the HFEA's strategic direction over the next three years.

We believe that any regulator of healthcare should put patients and the quality of care they receive at the centre of what it does. Our new strategy, which the Authority will finalise this summer, will do just that. It will inform the way in which we inspect and license fertility clinics and the policies we adopt.



Mr Peter Thompson
Chief Executive

We have already made a number of significant steps in this direction. A new system of unannounced, or short notice inspections, is now embedded in our regulatory work, allowing HFEA inspectors to better see clinics 'as they are' and freeing up more time to hear the opinions of patients during inspections.

Our policy to reduce the number of multiple births – the biggest avoidable risk to mothers and babies following IVF – is now in its fourth year and is one of the most successful public health initiatives of recent times. Since the policy was introduced the rate of multiple births following IVF in the UK has declined from 25% to 15%, with some clinics at the target rate of 10% or even lower. This has been achieved by close working between the regulator, clinics, professionals and patient groups; it is a collaborative way of working which we hope will become a feature of how we work in future.

In March 2014, the Government announced that it had asked the HFEA to conduct a third review of the safety and efficacy of two new IVF-based techniques designed to avoid serious mitochondrial diseases. This also follows our review of public attitudes in 2012/13. At present, mitochondria replacement is illegal in the UK and it has never been carried out clinically anywhere in the world. If Parliament does decide to change the law it will, in part, be a testimony to the strength of the regulatory regime established over the past 20 plus years.

We also intend to play a full part in the new health and social care system and have established effective working relationships with other regulators as recommended in the recent independent review of the HFEA by Justin McCracken.

In January 2014 Professor Lisa Jardine, stood down after six years as our Chair. We want to take this opportunity to express our thanks, on behalf of the Authority and its staff, for all that she achieved at the HFEA.

The HFEA is changing. We have a new strategy and expert, dedicated staff. We can look forward to the next year with confidence and enthusiasm.



Mrs Sally Cheshire
Chair



Mr Peter Thompson
Chief Executive



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Directors' and Strategic Reports



Directors' and Strategic Reports

About the Human Fertilisation and Embryology Authority (HFEA)

Purpose

The HFEA is the UK's independent regulator of treatment using eggs and sperm, and of treatment and research involving human embryos. The Authority sets standards for, and issues licences to, centres in the fertility sector¹. The organisation provides authoritative information for the public, in particular for people seeking treatment, donor-conceived people and donors. The Authority determines the policy framework for fertility issues, which are sometimes ethically and clinically complex.

Principles

The HFEA:

- treats people and their information with sensitivity, respect and confidentiality;
- observes the highest standards of integrity and professionalism in putting into effect the law as it governs the sector;
- consults widely – listening to, and learning from, those with an interest in what the organisation does;
- keeps abreast of scientific and clinical advances; and
- exercises its functions consistently, proportionately, openly and fairly.

Functions

The HFEA is required to have regard to two primary sets of legislation:

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

The 2008 Act is primarily amending legislation. It extensively amends the provisions of the 1990 Act (as amended), which continues to form the main framework governing the duties and responsibilities of the HFEA. However, the 2008 Act also contains new provisions which were not originally in, and have not been inserted into, the 1990 Act (as amended). In particular, these include provisions relating to legal parenthood.

The 1990 Act (as amended) gives the HFEA a number of statutory functions to:

- keep a formal register of information about donors, treatments and children born as a result of those treatments;
- license and inspect clinics carrying out in vitro fertilisation (IVF) and donor insemination treatment;
- license and inspect establishments undertaking human embryo research;
- license and inspect the storage of gametes (eggs and sperm) and embryos;
- ensure, where a licensed clinic makes use of an external service which does not hold an HFEA licence, that there is a third party agreement

¹ The 'sector' refers to the assisted reproduction/fertility sector and all the treatment clinics, storage centres and research establishments within it.

in place which is in accordance with any licence conditions imposed by the Authority, for the purpose of securing compliance with the requirements of technical Directives under which the third party procures, tests or processes gametes and/or embryos on behalf of the Licence Holder, or supplies to them goods or services which may affect the quality or safety of gametes and/or embryos;

- maintain a formal register of licences granted;
- produce and maintain a Code of Practice, providing guidance to clinics and research establishments about the proper conduct of licensed activities;
- maintain a register of certain serious adverse events or reactions (this relates to certain specific activities, which are set out in the 1990 Act (as amended));
- investigate serious adverse events and reactions and take appropriate control measures;
- respond to any request from a competent authority in another European Economic Area (EEA) state to carry out an inspection relating to a serious adverse event or reaction, and to take any appropriate control measures; and
- collaborate with the competent authorities of other EEA states.

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

- publicising the HFEA's role and providing relevant advice and information to donor-conceived people, donors, clinics, research establishments and patients;

- 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 should be followed by the HFEA when conducting its 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 its functions effectively, efficiently and economically;
- 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); and
- advising the Secretary of State for Health on developments in the above fields, upon request.

The HFEA also functions as one of two UK Competent Authorities for the European Union Tissues and Cells Directive (EUTCD), regulating the donation, procurement, testing, processing, preservation, and distribution of human tissue and cells for human application, processing, preservation, and distribution of human tissue and cells for human application.

The year ahead

Today, the quality of care people receive in hospitals is rightly uppermost in everyone's minds and patients' views matter more than ever in improving the quality of those services.

In many ways, fertility patients are just like other patients: they need good information and easy access to high quality care. However, despite the fact that IVF has become a routine medical treatment, it remains complex in other ways. Most patients have to pay for their treatment, increasing their appetite for accurate information about treatments and clinics. When treatment involves donated eggs and sperm, patients – and donors – need easy access to information and support for themselves and their families.

At the same time, all organisations in the public sector must control their costs and demonstrate that they are using their resources responsibly and to good effect, giving value for money.

The HFEA needs to respond to all of these developments if it is to remain relevant and effective. To this end, in mid-2014 the Authority will be publishing a new strategy for the next three years, setting out what the HFEA wants to achieve, what impact the Authority wants to have and what its priorities are.



What delivers good quality care?

As the regulator, the HFEA can improve the quality of care in three different, but linked ways:

- setting standards in clinics and checking their compliance through inspection;
- playing a public education role by providing information about treatments and services, so that patients are able to choose better quality care; and
- reducing costs for clinics so that they can focus more of their time on providing care.

The following diagram illustrates this quality of care model:



The Authority has always aimed for the highest levels of service quality and will continue to do so. Seeking good value should not mean compromising high quality standards in the information the HFEA provides (for example, through its website), the way the organisation develops its policies and its approach to regulation.

For instance, following the final report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (the Francis Report) in February 2013, the Authority considered the findings and detailed recommendations, and how best to apply them to the work of the HFEA and to improve the quality of regulatory activities.

As a result, the HFEA began to phase in unannounced and short notice inspections from 2012 onwards and this approach to inspection is now fully in place.

The Authority's ultimate aim is to improve the quality of patients' treatment experiences, and of other stakeholders' experiences of providing information to, and obtaining information from, the HFEA.

Information for Quality (IfQ) programme

In 2013/14, the HFEA started work on two large-scale capital projects, focused on improving the underlying structure of the Register of treatments and updating the organisation's website and other digital communications.

These are major pieces of work which will continue throughout the 2014/15 business year. Their aim is to ensure that both the Register and the HFEA's communications infrastructure are fit for purpose for a modern and efficient regulator.

Efficiencies and driving down costs

The Authority continues to drive down costs, as it has done for the past several years, and manage the organisation against the tight expenditure environment in place for all public sector organisations.

In January 2013, in keeping with the latest research on board size and effectiveness, the Authority reduced the size of its board by one third.

Corresponding changes were also made to licensing procedures and decision-making arrangements, including a new committee structure and new decision trees for HFEA committees to use when considering licensing matters.

The previously established 'shared services' arrangements were maintained with the Care Quality Commission (CQC) – with whom the HFEA shares a building – on facilities management, office accommodation, occupational health, some elements of learning and development, and recruitment.

Following an upgrade of the Authority's financial accounting system – to ensure the organisation is prepared for future collaborative working with other Arm's Length Bodies (ALBs) – the HFEA's finance team staffing has been reduced and a single Head of Finance is shared with the Human Tissue Authority (HTA).

From the beginning of the 2014/15 business year, a single Director of Finance and Resources is also shared with the HTA. This arrangement will lead to appreciable savings over time.

Working with other Arm's Length Bodies (ALBs)

The HFEA continues to develop closer working relationships with other health ALBs, particularly, the CQC, the Health Research Authority (HRA), the HTA, and the Medicines and Healthcare Products Regulatory Agency (MHRA).

Working collaboratively will ensure that arrangements for regulation of the sector are effective and that any overlap between different regulators' duties is removed.

For instance, certain surgical procedures (egg collection, for example) bring some clinics within the remit of CQC registration. Following work with the CQC to resolve this overlap, from October 2013 clinics did not need to be independently registered with the CQC and are no longer inspected by them.

The HFEA also remains committed to the principles of the Voluntary Sector Compact and works with the voluntary sector in a number of ways. For example, the HFEA has worked for some years with other organisations to reduce the prevalence of multiple births in the fertility sector². The HFEA also routinely opens developments to its policies and processes to a wide range of inputs and influences, including voluntary organisations.

McCracken review

In January 2013, the Government decided that the HFEA should be retained as an independent expert regulator. At the same time, the Parliamentary Under Secretary of State for Public Health and the Minister for the Cabinet Office tasked Justin McCracken to conduct an independent review of the HFEA and the HTA, to see whether efficiencies could be identified in the ways in which both bodies carry out their respective functions.

The Government accepted all of the recommendations of the McCracken review in July 2013, and the Authority agreed an action plan in September 2013.

Significant progress on meeting the McCracken recommendations was made in the 2013/14 business year and continuing work is set out in the Authority's business plan for 2014/15.

As well as work outlined in the 2014/15 business plan it is important that the HFEA continues to be able to respond to requests from Government for information and expert opinion. For example, the Department of Health recently commissioned the HFEA to conduct a third review of the safety and efficacy of mitochondria replacement techniques, to contribute to the Government's decision regarding whether to seek Parliament's approval to enable such techniques to become lawful.

Looking to the future

The HFEA's objectives for the coming year remain the same as in 2013/14, focusing on:

- supporting the sector to provide high quality, safe care with the best possible outcomes for patients;

- improving the effectiveness and transparency of the information the HFEA holds and collects; and
- seeking further efficiencies and ensuring the organisation and its staff are equipped to deliver associated changes.

The HFEA's business objectives for 2014/15 are a continuation of those from 2013/14. This is in recognition of the fact that the organisation is part-way through a major two-year programme of capital improvements (IfQ) and that organisational change initiatives started in 2013/14 will also continue for the duration of the next business year.

These objectives will ensure that the HFEA continues to regulate the sector to a high level of quality, in the interests of patients, donors, donor-conceived people and other stakeholders.

The Authority also needs to manage itself effectively as a responsible public body, ensuring that its statutory duties are met, and are met well, for the ultimate benefit of both patients and the sector. In addition, the HFEA must continue to be a reflective and open organisation that constantly seeks both improvements and efficiencies.

Building on previous work to ensure that the HFEA is an efficient and modern regulator, the Authority will continue to review its own performance and effectiveness and to decrease costs where possible.

As noted earlier a new three-year strategy, which will be published in mid-2014, will set out how the Authority aims to drive up quality through the ways in which it sets standards, provides information to inform choice, and delivers efficiency, economy and value.

It is also important to acknowledge that there are a range of underlying core activities and functions, without which the HFEA would be unable to deliver its business plan, its forthcoming strategy, and the ongoing change management work that will take place in 2014/15.

A sound delivery framework and a well-maintained organisational infrastructure are prerequisites for the successful delivery of any business plan. The HFEA has in place a number of corporate functions and strategies which underpin, and are essential to, its day-to-day activities. These include an human resources framework, business continuity plan and corporate governance tools.

² One at a Time: www.oneatathetime.org.uk/229.htm

It is important for the HFEA to:

- be able to maintain its governance structure;
- ensure high standards of records management;
- conduct its corporate business and workforce planning in an organised and rational way;
- produce an Annual Report and other required documents to sufficient quality;
- respond to information requests from central Government; and
- manage organisational risks and performance.

Similarly, it is critical to the smooth functioning of the organisation that the HFEA:

- maintains its relationships with stakeholders;
- ensures its website is up-to-date and accessible;
- meets its responsibilities under the Equality Act 2010;
- manages its internal communications systems and messages; and
- continues to respond to media and public enquiries.

The Authority must also ensure that necessary maintenance of the Register of treatments and other critical systems continues. Many of these areas must be maintained while also being the focus of particular project or developmental work throughout the year.

In general, the HFEA continues to work across the Department of Health's ALB family to explore potential synergies and opportunities for organisations to work more closely, where this would be of mutual benefit.

Organisation design and development

Having made some small changes to its organisational structure in 2013/14, the Authority will ensure that any further changes reflect the needs of its new three-year strategy, which will be published in mid-2014.

There will also be a new 'people strategy' to align with the overall strategy in order to continue to attract, retain and develop a high quality and flexible workforce that will help ensure the HFEA achieves its strategic aims within agreed budgets and Government rules.

This approach will enable the HFEA to ensure it delivers all the activities in its business plan and to ensure that the changes made in response to the McCracken recommendations are implemented well. The Authority will further develop its staff, for example, through collaboration with others in learning and development activities.

The Authority's internal Programme Board and Programme Management Office (PMO) ensure projects are managed efficiently and effectively and this will continue to be important in 2014/15. The two-year capital expenditure programme, Information of Quality (IfQ), is served by its own programme structure which sits alongside the HFEA's overall programme management arrangements, with project assurance provided by the established PMO.

In January 2013 the HFEA reduced the size of its board from 19 members to 12 members. A smaller board size is now widely recognised to be more effective. Achieving this reduction at the HFEA required a change programme to manage the transition to different governance and decision-making mechanisms. The revised arrangements are working well and will be subject to regular review.

Establishment and resources

The HFEA has gradually reduced its staff complement over the past several years – from 86 in 2010/11 to 64 by the end of the 2013/14 financial year – by continuing to make efficiencies and to share services where feasible.

As mentioned previously, a shared staff model with the HTA has been established in relation to finance and resources.

The following diagram shows the HFEA's organisational structure as at 31 March 2014:



Compliance activity supported by effective policies

“To continue to deliver our statutory regulatory functions, underpinned by policies that equip the organisation to regulate effectively and support the sector to provide high quality, safe care with the best possible outcomes.”

Statutory regulatory functions

In 2013/14 the HFEA performed its core functions well and strove to further improve the quality of its regulatory work by adopting a notably more patient-focused stance.

The Executive undertook a substantial programme of inspection and licensing activities, monitoring the performance of centres and dealing with incidents and complaints about clinics.

A focus on the quality of care that patients receive in clinics, and the way in which clinics and the HFEA respond to incidents and complaints about care, was important; in keeping with the Authority's consideration of the first recommendation in the report of the Mid Staffordshire NHS Foundation Trust Public Inquiry (the Francis Report).

On inspection, the HFEA enhanced scrutiny of the quality and safety of patient care and continued the programme of unannounced inspections which started in 2012/13. The inspectorate continued to monitor clinic risks through the HFEA's Risk Based Assessment Tool – providing timely information for both the HFEA and clinics by highlighting areas of concern and opportunities for improvement.

In keeping with the recommendations of the independent review of the HFEA and the HTA by Justin McCracken, the HFEA concluded and fully implemented work to remove regulatory overlap with the CQC in relation to 'surgical procedures'.

Monitoring of sector performance in relation to the multiple births target maximum rate continued, further reducing the negative outcomes for patients and children born as a result of fertility treatment.

During the year, the Authority also took the decision to remove the associated licence condition (known as T123) from all licences, in the face of legal challenge and its associated cost. The policy itself remains in place and continues to exert a positive downward pressure on multiple birth rates. Clinics mostly continue to work very hard to meet the increasingly tough requirements for the minimisation of multiple births.

Under a new governance arrangement introduced in April 2013, the governance tools and documentation that underpin licensing and other decisions continued to be in place and effective. A review of preimplantation genetic diagnosis (PGD) authorised conditions was completed, ensuring that the published PGD list was up to date and reflected current scientific and medical knowledge.

In the HFEA's role as the UK's Competent Authority for assisted reproductive technologies (ART) in the European Union, staff attended two meetings of the European Competent Authorities and ensured that obligations as the competent authority were discharged.

Policy development

The Ethics and Standards Committee and the Scientific and Clinical Advances Advisory Committee, along with the annual horizon scanning process, helped the HFEA to remain responsive to emerging scientific developments in fertility treatment and related research.

The Authority also continued to ensure that the Code of Practice, containing guidance for clinics, was up to date and supportive of the HFEA's regulatory work with the sector.

Secretariat and financial support were provided to the National Donation Strategy Group, established to help tackle barriers to egg and sperm donation in the UK. Now operating under the campaign name Lifecycle, the group's aim is to develop and promote more effective approaches to raising awareness of donation and improving the care of donors in the UK. The group has started to disseminate information, through attendance at fertility shows and through a range of leaflets³ for different audiences within donation.

Dialogue with stakeholders

Joint working, dialogue and ongoing contact with key professional stakeholders and patient organisations continued to be central to the HFEA's work throughout the year.

The HFEA worked with organisations such as the Association of Clinical Embryologists, the Association of Biomedical Andrologists, the British Fertility Society, the British Infertility Counselling Association, the Donor Conception Network, Infertility Network UK, the Multiple Births Foundation, the National Gamete Donation Trust and the Royal College of Nursing Fertility Nurses Group.

The Authority had two meetings with the Association of Fertility Patient Organisations and three with the Professional Bodies Stakeholder Group, including one focused on the early development of the Authority's new strategy, to be published during 2014. The HFEA's own Licensed Centres Panel met three times during the year.

The Authority also established the IfQ Advisory Group which oversees the two-year capital expenditure programme by the same name. Further information can be found on page 14.

The HFEA also continued to communicate current regulatory and policy news and information to the sector through its website and through the monthly Clinic Focus newsletter.

³ Lifecycle, working together for donor conception: www.hfea.gov.uk/8350.html

Effective and transparent information

“To improve the effectiveness of the information we hold and collect, by reviewing our forms, validation rules and verification procedures, enhancing the clinic portal, reviewing the Choose a Fertility Clinic function, and increasing the transparency of publishable information.”

Register information and intelligence

In 2013/14, work began on a significant, two-year, IfQ programme to modernise how the HFEA collects and uses information that forms the Register of treatments. This major capital expenditure programme is designed to improve and modernise the organisation's underlying technology and the Authority's approach to Register data collection. The HFEA is reviewing the type and amount of information collected, exploring the way that data is submitted in order to simplify it, reviewing the regime for data validation and correction, and reviewing Choose a Fertility Clinic (CaFC).

The intention in doing this work is to minimise the amount of time clinics spend on satisfying regulatory requirements at the expense of patient care.

The Authority wants to ensure that necessary information is collected as efficiently as possible and that the effort involved in ensuring data is of the right quality is proportionate and effective. The HFEA's emerging new strategy for the next few years will also place central strategic importance on quality for the benefit of patients (and other stakeholder groups) and this programme of work will support that strategy.

Crucially, while the IfQ programme will focus on changing and improving the HFEA's ways of working with data,

the Authority still continues the important work of maintaining the Register of treatments and outcomes and supporting clinics in reporting the current dataset, in compliance with the law and by Directions. It is vital for patients, donors and donor-conceived people that Register data and forms continue to be processed and quality assured, through liaison with clinics on errors and omissions and through validation and verification of Register entries.

Transparency

The HFEA receives and responds to a large number of different types of requests for data each year. The Authority responds to requests for access to information it holds under various access and transparency regimes and publishes required data regularly through www.data.gov.uk

The HFEA arrangements for information management and security are set out in the Annual Governance Statement. There were no incidents of data loss in 2013/14.

The HFEA also produces several publications describing and analysing statistical data and other information from the Register, which is of interest to researchers and others.

'Opening the Register' requests continued to be met in a sensitive manner and within required time limits. Staff also responded to significant numbers of requests for information in relation to the Freedom of Information Act (FOI), the Data Protection Act (DPA), Parliamentary Questions and the Information for Researchers regime.

This year, the Authority redesigned and re-launched its Clinic Focus publication which provides regular information updates about HFEA work to clinics.

Most of the planned work on developing the HFEA website will take place in the coming business year as part of the two-year IfQ programme. This will enable the HFEA to redevelop its communications with external stakeholders to enhance patient feedback, improve transparency and develop a more interactive dialogue with audiences. The HFEA website will be redeveloped to make better use of feedback mechanisms, video and integration with social media platforms.

Responding to Government information requests

The HFEA responded to all requests for data returns and other central Government requirements, completing all returns fully and accurately within deadlines. All regular and ad hoc Government information provision requirements were met.

The Authority also continued to publish required transparency information on the HFEA website and on www.data.gov.uk. In so doing, the organisation must always carefully balance transparency and accountability requirements against both general Cabinet Office and specific HFE Act 1990 (as amended) data security considerations.

Managing change and seeking further efficiencies

“To ensure the organisation and its staff are equipped to deliver, and to continue to seek efficiencies through ‘shared services’ work and partnership working with other ALBs.”

Equipping the organisation

The Authority continued to seek out efficiencies and savings, while maintaining a capability to deliver all core work. A new ‘people strategy’ is being developed alongside the new overall HFEA strategy and this will detail how the organisation will remain appropriately resourced and equipped, retaining the staff capacity and capability needed for the future.

The HFEA participated throughout in Department of Health shared service developments, progressed further collaborative working with other regulators and the devolved nations, and continued the existing service level agreements with the CQC. Following considerable savings made in the previous two years, the Authority has further reduced its organisational size and continued to drive down overall costs.

During the year, the Authority also responded to the McCracken review of efficiency savings at the HFEA and the HTA. Further work on the McCracken recommendations is detailed in our business plan for 2014/15.

Shared services and efficiencies

During the final quarter of 2013/14, after thorough preparation, the HFEA and HTA appointed a shared Director of Finance and Resources. The transition and accompanying organisational changes are being managed so as to ensure continuity in both organisations. This process will be completed in the 2014/15 business year.

In addition there was further progress in the following areas:

Finance

An accounting system upgrade was completed that enabled a reduction in Finance headcount. The Finance team now has two whole time equivalent (WTE) staff (down from 3.8), while sharing a Head of Finance with the HTA. Although the proposed move to the Independent Shared Service Centre 1 (ISSC1) will no longer take place, following a decision by the Department of Health in March 2014, the HFEA is prepared for any future collaborative working opportunities that may emerge over time.

Internal audit

The HFEA internal audit service is provided under a Service Level Agreement (SLA) with the Department of Health Group Internal Audit Service, which provides similar services to an increasing number of other ALBs in the health family. A new co-sourcing contract was let for three years to Pricewaterhouse Coopers (PwC) beginning in April 2013.

Human resources

The SLA with the CQC for recruitment, some learning and development and occupational health services continued, with other activities sourced directly using the Government’s central procurement service Crown Commercial Services (CCS). The HFEA retains the

necessary strategic human resource capability and also provides ad hoc advice and support to the HTA free of charge.

Payroll

The HFEA's payroll arrangements have been outsourced for many years. The HFEA will consider whether there is any future benefit in using the same interface as the HTA for submitting information to the payroll provider, Frontier.

Facilities

The SLA with the CQC for the provision of office and other services at Finsbury Tower was in place throughout the year. Having saved over £370,000 per annum by moving, the HFEA then benefited during 2013/14 from a reduction in rates of 80% backdated to the date of the move.

The HFEA has begun to consider its future office requirements in the light of the CQC break clause potentially being exercised in May 2016 and the CQC moving its London offices on or before then.

Procurement

In response to Government restrictions and increased mandating of procurement into CCS, the HFEA has either eliminated or reduced the need for services or moved major items of expenditure to CCS, including travel, communications, IT purchasing, office supplies, some elements of staff training, agency and short-term hires and conference room bookings. By the time this report is published the HFEA will have migrated its print services framework contracts with the arrival of replacement printers in May 2014.

Legal services

The HFEA migrated to the new NHS Litigation Authority legal services frameworks early in the 2013/14 business year. Three of the existing HFEA providers were appointed as preferred suppliers in August 2013 and two more firms were added as approved suppliers in January 2014. This provides more choice and flexibility and cheaper rates overall than the previous arrangements, which nonetheless had worked well for a number of years.

In general, the HFEA has continued to focus on the critical issue of workforce and capacity management throughout the ongoing changes, ensuring that sufficient human resources and organisational knowledge are retained, within the rules of the various centrally-imposed restrictions.

The HFEA continued to participate in the collaborative 'Hubbub' leadership development programme in a consortium of ALBs in order to provide improved development opportunities for HFEA staff.

Staff were kept fully informed on developments following the McCracken review.

Partnership working with other ALBs

This year again saw a particular emphasis on working in partnership with other relevant ALBs.

In addition to the various examples of joint working and shared services – already referred to above – the HFEA worked extensively with the HRA to streamline the regulation and governance of research using human embryos or human admixed embryos and the use of HFEA Register data in research. This will ensure good continuity of service now that the HRA has taken over the former function of the National Information Governance Board for Health and Social Care (NIGB) to provide an opinion as to whether the use of Register data in research is justified. The HFEA will in due course become a full partner in the Integrated Research Application Service (IRAS) so as to ensure that only one single ethics approval needs to be sought for each research application.

Summary data for the year 2013/14

The following facts and figures give a wider picture of the type and volume of business handled by the HFEA:

Item	2013/14	2012/13
Active clinics and research establishments	131	132
Clinics and research establishments inspected	80	82
Licences inspected	89	89
New licence applications processed and presented to Licence Committee	10	3
Licence renewals processed and presented to Licence Committee/ Executive Licensing Panel	40	38
Applications for Human Leukocyte Antigen (HLA) testing processed and presented to Statutory Approvals Committee/Executive Licensing Panel	9	10
New Preimplantation Genetic Diagnosis (PGD) applications processed and presented to Statutory Approvals Committee	37	49
Incident reports from clinics processed	506	499
Alerts issued	1	0
Complaints about clinics received	9	2
Licensed Centres Panel meetings held	3	3
Meetings with patient organisations held	2	2
Public and stakeholder meetings	24	21
Freedom of Information (FOI) requests dealt with	82	69
Environmental Information Regulations (EIR) requests dealt with	0	0
Opening the Register requests closed within 20 working days	215	193
Information for Researchers requests received	1	3
Donor Sibling Link applications processed	24	11
Visits to the Anonymized Register download page	779	776
Enquiries responded to under the Data Protection Act (DPA)	3	2
Parliamentary Questions responded to	80	63
Authority meetings held (including three open to the public)	6	6
Unique visits to the HFEA website	979,078	643,731
Most popular/viewed page on the HFEA website	IUI – What is intrauterine insemination (IUI) and how does it work?	IVF – What is in vitro fertilisation (IVF) and how does it work?

Performance indicators 2013/14

Performance indicators	Target 2013/14	Performance 2013/14
A. Compliance		
Average number of working days taken for the whole licensing process, from the day of inspection to the decision being communicated to the centre	70 working days or less	68 working days
Percentage of PGD applications processed within four months (88 working days)	90%	97%
B. Communication and Information		
Opening the Register requests responded to within 20 working days	100%	100%
Requests for contributions to Parliamentary Questions answered within Department of Health deadlines	100%	100%
C. Corporate		
Staff sickness absence rate (%) per month	Under 3.0%	1.3%
Cash and bank balance	To continue to move further towards the Department of Health's recommended limit of £750k	£2,800k
Percentage of invoices paid within 30 calendar days	95%	92% ⁴
Debts collected within 60 calendar days	85%	79% ⁴

Financial review

The financial results of the HFEA are included in the accounts on pages 62 to 79 and show that there was a deficit arising from the net of income and expenditure after tax and exceptional items of £827,340 (2012/13: a deficit of £1,075,915).

The Department of Health provided Grant-in-aid towards resource expenditure of £988,262 (2012/13: £733,476) and £30,000 towards the purchase of fixed assets (2012/13: £45,000).

Capital expenditure, including on the IfQ programme, was £86,057 (2012/13: £79,440). This was spent on keeping office and IT equipment functional, maintaining and developing HFEA software and preparing the early stages of the IfQ programme.

Income from fees charged to clinics was £4,123,376 (2012/13: £3,978,594). This rise of 3% is mainly due to an increased number of invoiced IVF treatments in the year.

Expenditure on staff costs was £3,622,918 (2012/13: £3,742,895). The decrease of 3.2% reflects the efficiencies made in members' costs through restructuring the Authority. Other expenditure was £1,311,317 (2012/13: £1,307,590) – an increase of £3,727 (0.28%).

In 2013/14, the HFEA has reduced its provision for potential legal costs to £140,000 based on a review of the likely costs of outstanding proceedings against the organisation. Further information on provisions is provided in the financial accounts (note 13).

The accounts reflect the full application of International Financial Reporting Standards (IFRS).

⁴ These performance targets were not met due to accounting system changes and the finance team restructure.

Supplier payments

The HFEA aims to pay all undisputed invoices in accordance with suppliers' terms of payment, which are usually within 30 days. During the financial year 2013/14, the HFEA settled 92% of all invoices received within 30 days (99% by value), whilst 61% of invoices received were paid within 10 days.

During the forthcoming financial year, the HFEA will continue with its aim to pay invoices promptly, noting the five-day target for central Government payments. Performance data will continue to be published on the HFEA's website.

The HFEA bills clinics promptly and at the end of the year 79% of debts had been collected within 60 days.

Interests of Authority members and senior staff

The HFEA arrangements for recording Authority members and senior staff interests are set out in the Remuneration Report.

Staff resources and development

Over the coming year a new 'people strategy' will enhance the HFEA's already sound human resource practices, and adjustments and improvements will be made to procedures and processes where it is evident that these would enhance the Authority's ability to meet its strategic objectives.

The 'people strategy' will also provide for a greater emphasis on organisational development activities, including performance review and personal and key skills development.

The HFEA's learning and development activities will be continued (as far as possible, given procurement restrictions) so as to equip the Authority's staff with the skills they need. Services will be procured in accordance with continuing Government requirements to ensure value for money, using Civil Service Learning, other ALB or CQC provision or the CCS as appropriate.

Together with the other ALBs, during 2014/15 the HFEA will continue to participate in a talent management consortium across the sector which aims to provide cost-effective leadership development programmes and other development opportunities.

Through the performance management scorecard, the HFEA tracks standard human resource operational metrics, such as sickness absence and staff turnover. This scorecard is reviewed regularly by the Corporate Management Group (CMG), and is also considered at regular Department of Health update meetings.

The Authority's sickness absence target is no more than 3% staff sickness absence rate per month and this figure is rarely exceeded. The public sector sickness absence rate average is eight days lost per person per year. This translates to a public sector sickness absence rate of 3.5% (IRS Survey 2011).

Staff turnover is closely monitored. The HFEA performance indicator target for this is to achieve less than 16% establishment turnover for the year (this is the public sector average). The current figure is worked out on a rolling basis each month. Planned reductions (e.g. redundancies to reduce the staffing complement) are excluded from the turnover figures. Typically, the month-by-month turnover figure varies between 10% and 20%. Variations in overall headcount are also recorded each month (rather than specifically recording recruitment figures, since in such a small organisation recruitment is typically at a very low level and sometimes at a zero level).

All staff pay is determined in line with HM Treasury annual guidance. The HFEA adheres to the formal pay remit when it is announced.

The HFEA will continue to comply with data requests and publication of data arising from the Government's transparency agenda.

Employee consultation

All staff briefings take place fortnightly and employees are kept up to date through the HFEA intranet, to which all staff have access. Once a month the staff newsletter, the HFEA Insider, is published on the intranet and all members of staff are encouraged to contribute.

While most consultation takes place directly with affected individuals, the Staff Forum represents all employees. The HFEA recognises the importance of employee input and feedback and the Staff Forum is used as a framework for more formal discussion and consultation on matters affecting all employees.

When the new HFEA strategy is published, in mid-2014, there will be a corresponding 'people strategy'. Staff are being actively involved in and consulted on its development.

Pensions

Pension benefits are mainly provided by the Principal Civil Service Pension Scheme (PCSPS). The HFEA recognises the contributions payable for the year. Full details of the pension scheme are included in the Remuneration Report on pages 36 to 42 and under financial accounts (note 1(g)). As of 1 May 2014, the HFEA has implemented pension auto-enrolment in full, as per Government requirements.

Equality Act 2010, equality and diversity on pay

The HFEA remains compliant with the requirements of the Equality Act 2010 and there is an Equality Champion on the Authority. The Authority collectively continue to ensure, throughout the year, that the HFEA fulfils its obligations under the Equality Act.

A new requirement of the Financial Reporting Manual (FRm 2013/14) is for organisations to detail the gender mix by position and overall. The following table sets out this position:

Gender analysis as at 31 March 2014			
	Male	Female	Total
Authority members	5	6	11
Directors	3	1	4
Total employees	25	39	64*

*Total employees are permanent employees and excludes Authority members and staff employed by other organisations.

All posts within the HFEA are systematically evaluated, aiming to ensure that the salary is fair and equitable.

Disabled employees

In 2007/08 the HFEA achieved ✓✓ Positive about Disabled People disability symbol status. The HFEA has 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.

Social, community, sustainability and environmental issues

The HFEA office strategy remains to be a tenant or co-tenant of a larger Department of Health organisation. The current office space of 525m² was rezoned in March 2014 to better align with the new organisation, improve flexibility (by using 'hot' desks) and enable better use of space (by using smaller desks). It is not possible to meet the benchmark of space per permanent WTE employee of 8m² or below. However, the HFEA will need to accommodate a series of short-term workers during the capital programme that is in progress, thus using more of the space.

The HFEA and the CQC will continue to work together on health and safety services in Finsbury Tower. The HFEA has adopted the CQC's online system for individual workplace assessment and meets with the CQC lead on fire evacuation procedures and fire warden liaison.

There is a lease break for the CQC in May 2016 for Finsbury Tower. The HFEA tenancy could end then or in August 2015 if sufficient notice is given. Early consideration of office requirements and any essential or desirable co-locations, or other features, will need to begin in 2014/15.

The HFEA recycles paper, card, glass, plastic cups, containers and bottles, metal cans and toner cartridges. There are two multifunction devices (for secure printing, scanning and photocopying) that are preset 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. The proportion of staff enabled

to work from home has increased, allowing reduced travel impacts, where feasible. The HFEA does not procure energy or other items with significant environmental impacts.

The HFEA is fully cognisant of Department of Health and Cabinet Office efficiency controls and follows these. Where it is the purchaser, the HFEA procures the nine mandated procurement categories from Government or other public sector frameworks: energy (not applicable); office solutions; travel; fleet (not applicable); professional services; eEnablement; property (not applicable); information and communications technology; advertising and media; print and print management; and learning and development. In addition, legal services and conference and events bookings became frameworked in 2013/14.

The HFEA is aware of the green agenda in relation to procurement. However, the HFEA almost never sets its own contract terms or does purchasing directly and is dependent on CCS and other framework holders for integrating sustainability features in their contract letting.

Nearly all of the HFEA's procurement is done through CCS. As far as the Authority is able, it aims to meet the Government target of 18% of procurement spend going to small and medium enterprises (SMEs). However, this will always be dependent (as with sustainability) on CCS ensuring that SME suppliers are present on the relevant frameworks in the first place. Where the HFEA has a choice of supplier, its criteria do include both sustainability and SME usage.

The HFEA is too small to have a procurement pipeline. In April 2014, the HFEA reviewed its contract for multi-function device printers (MFDs). There are only two such printers in the HFEA offices, so this was an extremely small transaction. The only potential procurement of significance in the coming year will relate to the capital programme of work, IfQ, for which a business case has been accepted by the Department of Health. Full planning of this programme is underway using CCS frameworks.

There is no significant non-pay spend that is not via CCS, CQC or the Department of Health frameworks or contracts – the one notable exception is the hire of Queen's Counsel for legal actions. Frameworks therefore account for around £1.4m of the annual procurement budget of about £1.5m (including office rent, rates, travel,

IT and audit costs). The HFEA also has no significant spend on contingent labour or consultancy services.

Accounts direction

The statement of accounts which follows is prepared in a form directed by the Secretary of State for Health dated 18 June 2007, in accordance with Section 6 of the 1990 Act (as amended).

Disclosure of information to HFEA Auditors

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

NAO fees are set out in note 4 to the accounts. No fees were incurred for non-audit work.



Mr Peter Thompson

Chief Executive

24 June 2014







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Appendices

Appendices

Appendix I

Committee membership as at 31 March 2014

The Authority's new committee structure was implemented in April 2013, following the reduction in Authority membership. While committee membership remained stable for the majority of the year, the transitional period between January and March 2014 resulted in a number of inevitable changes following the departure of the HFEA's previous Chair (Professor Lisa Jardine) and Chair of the Licence Committee and Audit and Governance Committee becoming Interim Chair (Mrs Sally Cheshire). The following table and footnotes reflect these changes.

	Scientific and Clinical Advances Advisory Committee	Remuneration Committee	Appointments Committee	Appeals Committee	Ethics and Standards Committee
No. of meetings	3	5	2	0	3
Chair	Dr Susan M Price	Prof Lisa Jardine CBE ⁶	Prof Lisa Jardine CBE ⁹	Mr Jonathan Watt-Pringle QC	Ms Gemma K Hobcraft
	Dr Andy Greenfield (Deputy Chair)	Mrs Sally Cheshire ⁷	Mrs Sally Cheshire ¹⁰	Ms Hilary Newiss (Deputy Chair)	Bishop Lee Rayfield (Deputy Chair)
	Mr Hossam I Abdalla FRCOG	Ms Gemma K Hobcraft	Ms Gemma K Hobcraft	Mr John Kevin Artley ¹²	Prof David Archard
	Ms Debbie Barber	Ms Rebekah Dundas ⁸	Ms Rebekah Dundas ¹¹	Ms Julia Drown	Ms Jane Dibblin
	Dr Alan R Thornhill			Mrs Jennifer Dunlop	Mr Hossam I Abdalla FRCOG
	Prof David Barlow (External Advisor) ⁵			Mr Joseph Enda McVeigh ¹³	Dr Alan R Thornhill
	Prof Daniel Brison (External Advisor)			Ms Catharine Seddon	
	Dr Melanie Davies (External Advisor)			Mr Howard Freeman ¹⁴	
	Dr Joyce Harper (External Advisor)				
	Prof Robin Lovell-Badge (External Advisor)				
	Prof Lorraine Young (External Advisor)				

⁵ Professor David Barlow stepped down as an external advisor of the Scientific and Clinical Advances Advisory Committee in February 2014.

⁶ Professor Lisa Jardine stepped down as a member of the Remuneration Committee on 16 January 2014.

⁷ Mrs Sally Cheshire was appointed as the Chair of the Remuneration Committee on 17 January 2014.

⁸ Ms Rebekah Dundas was appointed as a member of the Remuneration Committee on 17 January 2014.

⁹ Professor Lisa Jardine stepped down as a member of the Appointments Committee on 16 January 2014.

¹⁰ Mrs Sally Cheshire was appointed as the Chair of the Appointments Committee on 17 January 2014.

¹¹ Ms Rebekah Dundas was appointed as a member of the Appointments Committee on 17 January 2014.

¹² Mr John Kevin Artley resigned as a member of the Appeals Committee on 13 September 2013.

¹³ Mr Joseph Enda McVeigh resigned as a member of the Appeals Committee on 24 September 2013.

¹⁴ Mr Howard Freeman was appointed as a member of the Appeals Committee on 25 July 2013 for a particular committee hearing, which subsequently did not take place.

¹⁵ Mrs Sally Cheshire stepped down as the Chair of the Audit and Governance Committee on 17 January 2014.

¹⁶ Ms Rebekah Dundas was appointed as the Chair of the Audit and Governance Committee on 17 January 2014.

Audit and Governance Committee	Executive Licensing Panel	Licence Committee	Statutory Approvals Committee	Register Research Panel
4	24	6	13	4
Mrs Sally Cheshire ¹⁵	Ms Juliet Tizzard	Mrs Sally Cheshire ²⁰	Prof David Archard	Mr Nick Jones
Ms Rebekah Dundas (Deputy Chair) ¹⁶	Mr Mark Bennett (Deputy Chair)	Dr Andy Greenfield (Deputy Chair) ²¹	Ms Rebekah Dundas (Deputy Chair)	Mr Sam Hartley (Caldicott Guardian) ²⁴
Dr Alan R Thornhill ¹⁷	Ms Rachel Hopkins	Ms Gemma K Hobcraft	Ms Debbie Barber	Ms Suzanne Hodgson ²⁵
Ms Gillian Laver (External Advisor) ¹⁸	Mr Ian Peacock	Ms Debbie Barber	Dr Susan M Price	Mr David Moysen ²⁶
Mr Jerry Page (External Advisor)	Mrs Hannah Verdin	Bishop Lee Rayfield	Mr Hossam I Abdalla FRCOG	
	Ms Joanne Anton	Ms Jane Dibblin ²²	Ms Jane Dibblin	
	Ms Paula Robinson	Prof David Archard ²³		
	Mr David Moysen			
	Mr Nick Jones			
	Mr Matthew Watts			
	Mr Jasper Squire ¹⁹			

The HFEA's current committee information is available on the HFEA website at: www.hfea.gov.uk

¹⁷ Dr Alan R Thornhill was appointed as a member of the Audit and Governance Committee on 17 January 2014.

¹⁸ Ms Gillian Laver was appointed as a member of the Audit and Governance Committee on 1 June 2013.

¹⁹ Mr Jasper Squire stepped down as a member of the Executive Licensing Panel in January 2014.

²⁰ Mrs Sally Cheshire stepped down as the Chair of the Licence Committee on 17 January 2014.

²¹ Dr Andy Greenfield was appointed as the Chair of the Licence Committee on 17 January 2014.

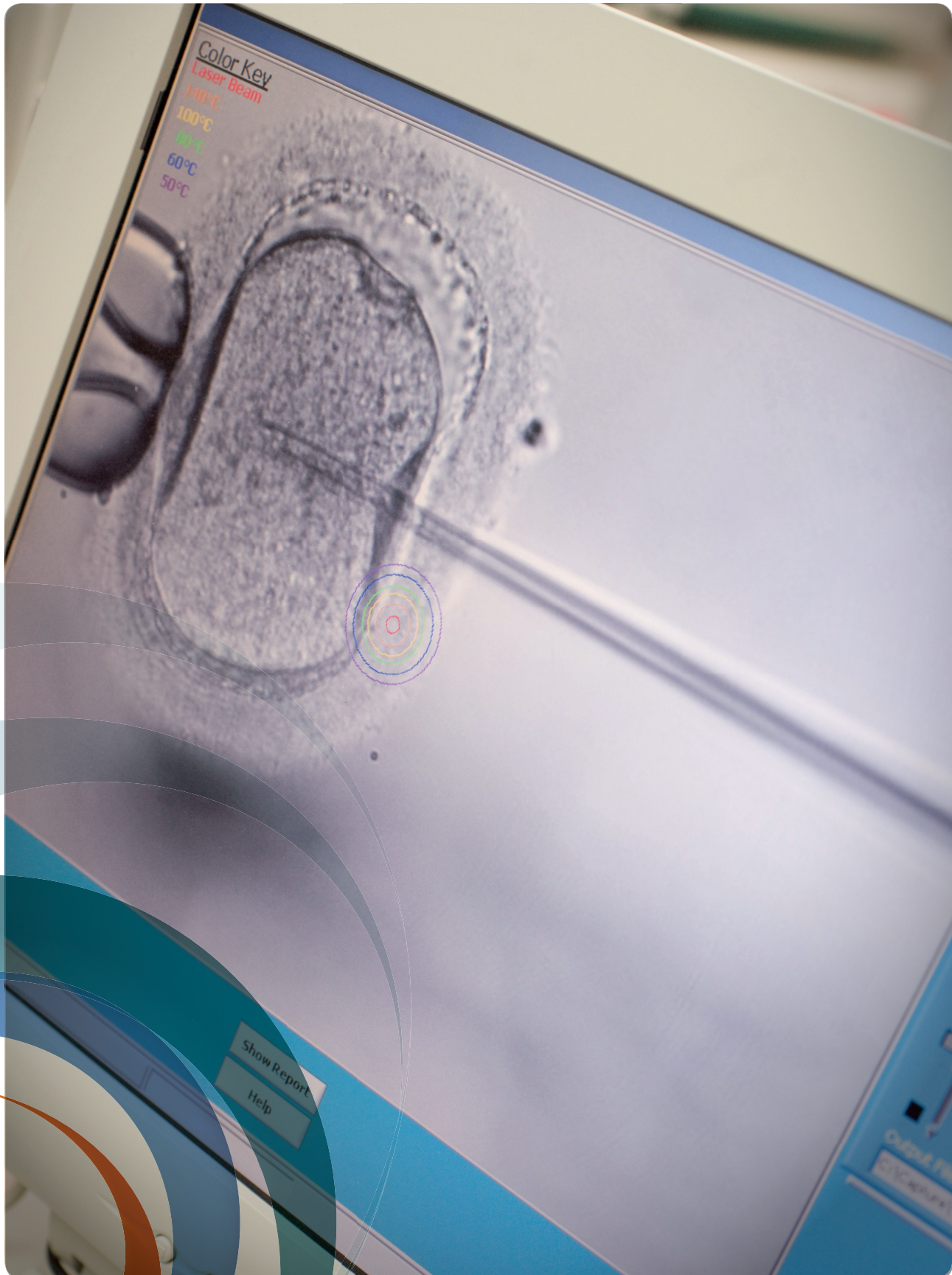
²² Ms Jane Dibblin was appointed as a member of the Licence Committee on 17 January 2014.

²³ Professor David Archard was appointed as a member and Deputy Chair of the Licence Committee on 17 January 2014.

²⁴ Mr Sam Hartley was appointed as the Caldicott Guardian of the Register Research Panel in August 2013.

²⁵ Ms Suzanne Hodgson stepped down as a member of the Register Research Panel in September 2013.

²⁶ Mr David Moysen stepped down as the Caldicott Guardian of the Register Research Panel in July 2013.



Appendix II

Horizon Scanning Expert Panel membership as at 31 March 2014²⁷

Name	Institution
Prof William 'Twink' Allen	Paul Mellon Laboratory of Equine Reproduction, UK
Prof Peter Andrews	University of Sheffield, UK
Prof David H Barlow	University of Glasgow, UK
Prof Christopher Barratt	University of Dundee, UK
Prof John Carroll	University College London, UK
Dr Jacques Cohen	Institute for Reproductive Medicine and Science of Saint Barnabas, USA
Prof Chris De Jonge	University of Minnesota, USA
Prof Alan Decherney	National Institutes of Health, USA
Prof Paul Devroey	Free University of Brussels, Belgium
Prof David Edgar	University of Liverpool, UK
Prof Sir Martin Evans	Cardiff University, UK
Prof Hans Evers	Maastricht University Medical Centre, The Netherlands
Prof Bart Fauser	University Medical Center Utrecht, The Netherlands
Dr Joyce Harper	University College London, UK
Prof Stephen Hillier	University of Edinburgh, UK
Prof Outi Hovatta	Karolinska Institute, Sweden
Prof Mark Hughes	Genesis Genetics Institute, USA
Prof Martin Johnson	University of Cambridge, UK
Prof Gab Kovacs	Monash IVF, Australia
Prof Henry Leese	Hull York Medical School, UK
Prof Norio Nakatsuji	Kyoto University, Japan
Prof Alan Trounson	California Institute for Regenerative Medicine, USA
Dr Maureen Wood	University of Aberdeen, UK
Prof André Van Steirteghem	Free University of Brussels, Belgium
Prof Stéphane Viville	Université de Strasbourg, France

²⁷ Professor John Collins stepped down as a member of the HFEA Horizon Scanning Expert Panel in February 2014.





4

Remuneration Report

Remuneration Report

The HFEA develops its remuneration recommendations based on the Civil Service Pay Guidance issued annually by HM Treasury.

Pay awards were made to eligible staff in 2013/14 in accordance with the Government limit of 1% of the total pay-bill. This followed the two-year pay freeze that took effect from the financial year 2010/11 and a similar 1% award in 2012/13.

Reward systems and approval mechanisms

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.

Duration of contracts, notice periods and termination payments

Members of staff in Band 1 (Assistant grade) and Band 2 (Officers) have six weeks' notice of termination of their contracts. Members of staff in Band 3 (Managers) and above have three months' notice of termination of their contracts. Termination payments are made only in appropriate circumstances. In cases where gross misconduct has occurred, no termination payments are made.

Chair and Non-Executive members

The Chair of the Authority, Professor Lisa Jardine, was appointed on 17 January 2008 and took up the post on 1 April 2008. Professor Jardine stepped down on 16 January 2014. From 1 October 2009, Professor Jardine was remunerated on a part-time basis directly by the HFEA. Details are included on page 37 to these accounts.

The remuneration levels of Authority members are set nationally. Revisions are made in accordance with the agreement on the Pay Framework for Arm's Length Body (ALB) Chairs and Non-Executive Directors, announced in March 2006. The HFEA implements the revisions when instructed.

No pension contributions or bonuses were paid on behalf of any Authority member during 2013/14.

Remuneration of Authority members

Membership of the HFEA for the year ending 31 March 2014:

Name	Appointment start date	Appointment end date	Salary band (£'000)		Benefits in kind (to the nearest £100)		Total (£'000)	
			2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Prof Lisa Jardine CBE (Chair of the Authority and the Remuneration Committee) ²⁸	17 January 2008	16 January 2014	45-50	55-60	0	0	45-50	55-60
Mr Hossam I Abdalla FRCOG	1 October 2004	30 June 2014	5-10	5-10	0	0	5-10	5-10
Prof David Archard	1 November 2005	31 October 2015	5-10	5-10	6,500	4,000	10-15	10-15
Ms Debbie Barber	1 September 2008	31 March 2015	5-10	5-10	1,200	1,000	5-10	5-10
Mrs Sally Cheshire (Chair of the Audit and Governance Committee) ²⁹	7 November 2006	31 March 2017	20-25	10-15	8,400	9,000	30-35	20-25
Ms Jane Dibblin	1 September 2008	31 March 2015	5-10	5-10	0	0	5-10	5-10
Ms Rebekah Dundas ³⁰	1 January 2007	31 December 2015	5-10	5-10	6,000	5,000	10-15	10-15
Dr Andy Greenfield	9 November 2009	31 December 2015	5-10	5-10	1,500	900	5-10	5-10
Ms Gemma K Hobcraft (Deputy Chair of the Authority)	1 September 2008	31 March 2015	5-10	5-10	0	0	5-10	5-10
Dr Susan M Price	1 February 2006	31 January 2016	5-10	5-10	1,700	1,700	5-10	5-10
Dr Alan R Thornhill	9 November 2009	31 December 2015	5-10	5-10	0	0	5-10	5-10
Bishop Lee Rayfield	23 April 2012	22 April 2015	5-10	5-10	1,500	900	5-10	5-10

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HMRC as a taxable emolument. The HFEA has agreed a PAYE Settlement Agreement (PSA) with HMRC re taxable emoluments of HFEA staff and Authority members. This includes travel, accommodation, meals and subsistence for which the HFEA pays the tax and national insurance due. Benefits in kind have been shown net of tax and national insurance.

²⁸ Professor Lisa Jardine stepped down as Chair of the Authority on 16 January 2014.

²⁹ Mrs Sally Cheshire was appointed Interim Chair of the Authority on 17 January 2014, and stood down as the Chair of the Audit and Governance Committee.

³⁰ Ms Rebekah Dundas was appointed Interim Chair of the Audit and Governance Committee in January 2014.

Appeals Committee

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

Remuneration in the band £0-£5,000 was paid to the Chair of the Appeals Committee, Mr Jonathan Watt-Pringle, and nil payments were made to the Deputy Chair of the Appeals Committee, Ms Hilary Newiss, during the year.

Chief Executive and Directors

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

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

The members of the Remuneration Committee during the year were Professor Lisa Jardine (out-going Chair), Mrs Sally Cheshire (Interim Chair), Ms Gemma Hobcraft and Ms Rebekah Dundas.

Other staff

In the Performance and Development Planning (PDP) process, all staff are assessed on their performance and given a performance category box marking, which is then translated into performance-related pay.

Consistent criteria are applied to all staff, including Directors. To ensure fairness across the organisation there is a moderation process managed by the Senior Management Team (SMT). SMT assessments are moderated by the Remuneration Committee.

As noted previously, within the public sector pay constraints in force during financial year 2013/14, consolidated pay increases were awarded to qualifying staff. A number of non-consolidated small bonus awards were also made for certain qualifying members of staff within the HM Treasury parameters.

New posts

All new posts or posts with significantly changed responsibilities are subject to a formal job evaluation process (Paypoints II) before recommendations for pay, or changes to pay, are made.

Recruitment

The HFEA has, like other public bodies, been subject to a recruitment freeze over the past four years. Within that freeze the HFEA has the ability, under delegated responsibility, to re-appoint to posts designated 'front-line' and/or business critical. All exceptions such as these are reported regularly to the Department of Health. Subject to those controls, all appointments are made in accordance with the HFEA's Recruitment and Selection Policy (revised June 2011). The aim is to ensure that all appointments of HFEA staff are made on the basis of merit and in accordance with equal opportunities.

End of service

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

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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and Directors. Figures in the following tables are subject to audit.

Directors and senior managers

The Government Financial Reporting Manual requires the HFEA to provide information on the salary and pension rights of the named individuals who are the most senior managers of the HFEA.

Single total figure of remuneration										
Name	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits ³¹ (£'000)		Total (£'000)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Mr Peter Thompson ³² Chief Executive	135-140	130-135	5-10	0	0	0	50	266	195-200	395-400
Mrs Sue Gallone ³³ Director of Finance and Resources	0-5 (full-time equivalent: 95-100)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0-5	N/A
Mr Mark Bennett ³⁴ Director of Finance and Facilities	95-100	95-100	0	0	0	0	22	32	115-120	125-130
Mr Nick Jones Director of Compliance and Information	95-100	95-100	0	0	0	0	37	36	130-135	130-135
Ms Juliet Tizzard Interim Director of Strategy	75-80	70-75	0	0	0	0	25	49	100-105	120-125

There are no benefits in kind for senior managers.

The pension entitlements of the most senior managers in the HFEA during the period were:

Name and position	Real increase in pension age 60	Real increase in lump sum	Total accrued pension at age 60 at 31 March 2014	Related lump sum at 31 March 2014	CETV at 1 April 2013	CETV at 31 March 2014	Real increase in CETV as funded by HFEA
	Band £'000	Band £'000	Band £'000	Band £'000	Band £'000	Band £'000	Band £'000
Mr Peter Thompson Chief Executive	2.5-5 (2012/13: 10-15)	0-2.5 (2012/13: 0-2.5)	40-45 (2012/13: 35-40)	0-5 (2012/13: 0-5)	581 (2012/13: 360)	660 (2012/13: 581)	35 (2012/13: 194)
Mr Mark Bennett Director of Finance and Facilities	0-2.5 (2012/13: 0-2.5)	0-2.5 (2012/13: 0-2.5)	5-10 (2012/13: 5-10)	0-5 (2012/13: 0-5)	127 (2012/13: 90)	16 (2012/13: 127)	18 (2012/13: 26)
Mrs Sue Gallone Director of Finance and Resources	N/A (2012/13: N/A)	N/A (2012/13: N/A)	N/A (2012/13: N/A)	N/A (2012/13: N/A)	N/A (2012/13: N/A)	N/A (2012/13: N/A)	N/A (2012/13: N/A)
Mr Nick Jones Director of Compliance and Information	0-2.5 (2012/13: 0-2.5)	0-2.5 (2012/13: 0-2.5)	5-10 (2012/13: 5-10)	0-5 (2012/13: 0-5)	75 (2012/13: 47)	106 (2012/13: 75)	19 (2012/13: 18)
Ms Juliet Tizzard Interim Director of Strategy	0-2.5 (2012/13: 0-2.5)	0-2.5 (2012/13: 0-2.5)	5-10 (2012/13: 5-10)	0-5 (2012/13: 0-5)	85 (2012/13: 40)	108 (2012/13: 66)	12 (2012/13: 20)

31 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.

32 Mr Peter Thompson was formerly appointed Chief Executive with effect from 1 April 2012. He received a bonus in 2013/14 which relates to the 2012/13 financial year.

33 Mrs Sue Gallone was appointed Director of Finance and Resources for the HFEA on 3 March 2014 in the salary band £95,000-£100,000. She is employed by the HTA and 50% of her costs are charged to the HFEA.

34 Mr Mark Bennett is standing down as Director of Finance and Facilities on 30 May 2014.

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

Median pay and multiples

	2013/14	2012/13
Band of highest paid Director's total remuneration	£140k-£145k	£130k-£135k
Band of highest paid Director's gross salary only	£135k-£140k	£130k-£135k
Median total remuneration	£36,724	£36,360
Ratio – total remuneration	3.9	3.7
Ratio – gross salary only	3.7	3.7

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

The banded remuneration of the highest paid Director within the HFEA in the financial year 2013/14 was 135-140 (2012/13 130-135) this was 3.7 times (2012/13 3.7) the median remuneration of the workforce which was £36,724 (2012/13 £36,360).

No employees received remuneration in excess of the highest paid Director.

The highest paid Director for this comparison was the Chief Executive. The higher remuneration stated relates to total remuneration, the lower to gross salary only, and excludes any other payments.

The reason for the increase in the ratio of highest paid Director's total remuneration from 2012/13 is the inclusion of a bonus payment and pay award made to the Chief Executive in 2013/14.

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

Definitions

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

'Total remuneration' includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, 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 the HFEA and thus recorded in these accounts.

Civil Service pensions

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

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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, staff may be in one of four defined benefit schemes; either a "final salary" scheme (Classic, Premium, or Classic Plus) or a "whole career" scheme (Nuvos). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased in line with Pensions Increase legislation. New entrants joining from October 2002 may opt for either the appropriate defined benefit arrangement or a "money purchase" stakeholder pension with an employer contribution (Partnership Pension Account).

Employee contributions were set at rates ranging from 1.5% to 3.9% of pensionable earnings for Classic and rates ranging from 3.5% to 5.9% for Premium, Classic Plus and Nuvos. Increases to employee contributions apply from 1 April 2014. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid, with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as per Premium. In Nuvos, a member builds up their pension based on his or her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

In all cases, members may opt to commute pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

For 2013/14, employer's contributions of £515,463 were payable to the PCSPS in respect of staff directly employed by the HFEA (2012/13: £516,732) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. In 2014/15 the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of benefits accrued during 2013/14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

For 2013/14, Partnership Pension Account employer's contributions of £8,211 were payable in respect of staff directly employed by the HFEA (2012/13: £9,295) to one or more companies chosen by employees from the panel of three appointed stakeholder pension providers. No contributions were due to partnership pension providers at the balance sheet date (2012/13: £nil).

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

Lord Hutton's review of public sector pensions (March 2011) contained a number of recommendations for reforms which were accepted by the Government.

These included increases to members' contributions which were implemented with effect from April 2012 and a new pension scheme with effect from April 2015. Further information in respect of these and other changes to the PCSPS can be obtained from www.civilservice.gov.uk/pensions/reform

Cash Equivalent Transfer Values (CETV)

The tables on page 39 show the Chief Executive's and Directors' Cash Equivalent Transfer Values (CETV) accrued at the beginning and the end of the reporting period as provided by the Civil Service Pension Scheme.

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

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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.

Register of interests

Details of company directorships and other significant interests declared by Authority members can be found on the HFEA website, www.hfea.gov.uk

The HFEA also maintains a register of company directorships and other significant interests declared by senior management. Persons wishing to view this register should apply via email to the Director of Finance and Resources at enquiriesteam@hfea.gov.uk

Travel and subsistence

From September 2009 information regarding travel and subsistence claimed by Authority members and senior management has been published on the HFEA website, www.hfea.gov.uk

Audit

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



Mr Peter Thompson
Chief Executive
24 June 2014







5

Statement of the Responsibility
of the Authority
and Chief Executive

Statement of the Responsibility of the Authority and Chief Executive

Authority members' responsibilities

Under Section 6(1) of the Human Fertilisation and Embryology Act 1990 (as amended), the HFEA is 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 the HFEA's state of affairs at the year-end, its net expenditure, changes in taxpayers' equity and cash flow for the financial year.

In preparing the accounts the HFEA 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 the going concern basis as there are now no formal grounds to consider this inappropriate.

Accounting Officer's responsibilities

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

The following section, containing the Annual Governance Statement, describes how these responsibilities are fulfilled, risk is managed and a system of effective controls is maintained and operated.







6

Annual Governance Statement

Annual Governance Statement

Introduction

This statement sets out the governance and control framework of the HFEA at 1 April 2014, a year after the implementation of the governance transition programme. Overall the picture is good, with strong performance from the committees that form the new structure and a clean bill of health from the HFEA's Internal Auditors (IAs). The year 2013/14 has been challenging in terms of governance, with the new structure bedding in and, significantly, the departure of the previous Chair, Professor Lisa Jardine. The latter preceded a transitional period before the appointment of a new Chair, Mrs Sally Cheshire.

Additionally, following the Government's decision in January 2013 that the HFEA should be retained as an independent expert regulator, it asked Justin McCracken to conduct an independent review of the HFEA and the Human Tissue Authority (HTA). This was to see whether efficiencies could be identified in the way in which both bodies carry out their respective functions. The McCracken report made a number of recommendations, including closer working between the two regulators by sharing finance and procurement services to make efficiency savings. The Government accepted all of the recommendations of the McCracken review in July 2013 and the Authority agreed an action plan in September 2013.

Since then, the Authority and the Executive have worked hard to implement those recommendations and remains on track to do so. In particular, in January 2014 the HFEA and HTA's first shared Director of Finance and Resources was appointed and both organisations are building on a strong start in making efficiency savings by sharing back-office services.

The HFEA also continues to develop closer working relationships with other health Arm's Length Bodies (ALBs), particularly the Health Research Authority (HRA), the Care Quality Commission (CQC) – with whom the HFEA shares a building – and the Medicines and Healthcare Products Regulatory Agency (MHRA). The Authority is working collaboratively to ensure that arrangements for regulation

of the fertility sector are effective and that any overlap between the HFEA's regulatory duties and others' is removed.

In 2013/14, work began on two large-scale capital projects focused on improving the underlying structure of the Register and updating the HFEA's website and other digital communications. Known as Information for Quality (IfQ), these are major pieces of work which will continue throughout the 2014/15 business year. They have their own dedicated team of staff and are subject to rigorous project and risk management processes.

Governance framework

The Authority's governance framework is set out in the HFE Act 1990 (as amended) and its approved Standing Orders. In April 2013 the Authority introduced a new committee structure after a thorough review of its governance arrangements, in light of the transition from a membership of 19 to 12. A year in, the HFEA is pleased to report that the new structure is working well, with appropriately-skilled committees exercising their functions in an efficient and robust manner, supporting the Authority in carrying out its statutory role.

Significantly for the Authority and in particular its governance, as noted above 2013/14 saw the departure of the previous Chair of the Authority, Professor Lisa Jardine, on 16 January 2014. Professor Jardine was Chair of the Authority for six years, during which time she oversaw a huge amount of change in both the sector and the way in which it is regulated. Mrs Sally Cheshire – an existing member of the Authority and Chair of the Audit and Governance Committee (AGC) – became Interim Chair in January 2014 before being appointed permanently by the Secretary of State in April 2014.

The Authority's board

The full board is comprised of 12 members. There have been six board meetings in the past year (2013/14), three of which were open to the public. As part of its commitment to transparency, the Authority decided in January 2014 that all future ordinary meetings will be open to the public. The Authority has also conducted a number of workshop sessions to discuss its future strategy and on 26 February 2014 hosted a very successful Annual Conference, principally for the fertility sector's stakeholders, which focused on putting patients at the centre of what the HFEA does. The conference attracted over 200 attendees and the HFEA hopes to build on this success for future conferences. It was a valuable opportunity for the Authority and the sector to work together to improve the experience of treatment for patients. It focused on future challenges for the sector, giving centre staff a chance both to tell the Authority about their experiences of working in the fertility field and also to shape the Authority's strategic direction.

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

The Authority's statutory and standing committees

The Authority has established 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 2014	Number of meetings 2013/14	Attendance rate
Authority	12 ³⁶	6	82%
Appointments Committee	3	2	84%
Audit and Governance Committee	4	4	70%
Ethics and Standards Committee	6	3	54%
Executive Licensing Panel	11	24	100%
Licence Committee	6	6	75%
Oversight Committee (for disclosure of information to researchers)	12	1	83%
Register Research Panel	3	4	100%
Remuneration Committee	3	5	100%
Statutory Approvals Committee	6	13	88%
Scientific and Clinical Advances Advisory Committee	5	3	67%

³⁶ During the transitional period following the departure of the previous Chair, the full Authority (and Oversight Committee) necessarily operated with 11 members. Full details of HFEA committee membership are available on page 30 of this report.

The Authority's committees assist it in carrying out its functions in a reasonable and proportionate way. While the reduction in membership of the Authority has increased pressure on members, their commitment and the strong organisational support of the Executive has ensured that the HFEA has had no issues of quoracy at its Authority and committee meetings.

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 referred to as SMT). These are:

- Peter Thompson (Chief Executive);
- Nick Jones (Director of Compliance and Information);
- Juliet Tizzard (Interim Director of Strategy); and
- Sue Gallone (Director of Finance and Resources part-time – shared with the HTA).

The SMT meets weekly to consider items of strategic and cross-directorate importance. The Authority's strategic aims and operational objectives are overseen by both the SMT and the Executive's Corporate Management Group (CMG), which meets once a month as a minimum. CMG is chaired by the Chief Executive and attended by the Directors and Heads of department. While the mitigation of strategic risk is an ongoing aim within the Executive, CMG is also tasked with considering operational risk.

The Executive also maintains a Programme Board to oversee individual projects and to ensure that suitable controls are in place. Risk assessment and management are substantial aspects of this oversight arrangement and both the Project Manager and the Project Sponsor (usually a Director) must report to the Programme Board at regular intervals. In turn, the Programme Board reports to CMG every month, with a highlight report for each live project.

Corporate governance

The HFEA, as an executive non-departmental public body of the Department of Health, has a Framework Agreement with the Department, which defines the critical elements of the relationship between the two. It underlines how the HFEA works in partnership with the Department of Health, and how the two discharge their accountability responsibilities effectively. The Permanent Secretary at the Department of Health has appointed a Senior Departmental Sponsor (SDS) to act as the HFEA's designated point of contact. The Chair and Chief Executive meet the SDS for a formal Annual Accountability Review and informally throughout the year. In addition, the Chief Executive meets other Department of Health officials at quarterly intervals, and has regular contact as issues require. The Department of Health is also represented at ordinary meetings of the Authority and at the AGC.

The HFEA produces a business plan each year, in which the Authority sets out the way the organisation will deliver against its objectives. This is shared in advance and produced in agreement with the Department of Health, and the Executive submits quarterly monitoring information to the Department of Health to provide assurance that the delivery of objectives is on track.

The system of corporate governance is designed to ensure that responsibility and accountability is clear and that internal controls support the mitigation of strategic and operational risks. It is also designed to ensure that the Authority members and Chief Executive can be assured that appropriate oversight over operational responsibilities – of groups and individuals – is in place. The HFEA complies with the requirements of the **Corporate Governance in Central Government departments: Code of Good Practice**, in so far as they relate to ALBs.

Effectiveness and performance

The Authority has met its core statutory duties of licensing and regulating fertility clinics and research centres; maintaining a Code of Practice in relation to those and maintaining registers for treatment services and licensed centres. It has done so efficiently in light of increased pressure on its resources. This has enabled it to continue to reduce its headcount, costs and the need for Grant-in-aid.

As noted above, the Authority has held a number of internal workshops at which it has considered its future strategy and this has included an examination of the way in which it carries out its functions. The Authority is always keen for iterative improvements and throughout the year the Authority, its committees, and Executive, have sought to improve their performance through ongoing assessment.

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

The Authority's IAs conducted a review of the governance of the Authority which was reported to the AGC in March 2014. The IAs found the governance arrangements to be 'satisfactory' and suggested a number of minor improvements that could be made. Members of the Executive are working to address these and have already implemented a number of the recommendations. In addition, the IAs concluded in their Annual Assurance report that the HFEA's control environment is adequate for its business needs and operates in an effective manner.

This, along with a recent review of the Authority's governance and Standing Orders, gives assurance that the exercise of the Authority's statutory functions are delegated appropriately and legally, adhering to the recommendations outlined in the Harris Review³⁷.

Annual reviews of committee effectiveness

One year into the new committee structure, the feedback from the committees in their annual reviews has been positive. Committees are comfortable with their roles, are well supported by the Executive and have manageable workloads. Other trends that emerged were around ensuring quoracy with fewer members, ensuring committees were well supported with expert (or other external) advisors and ensuring the papers were of a manageable quantity and dispatched promptly. The Executive has taken steps to resolve a number of these issues and the Chief Executive is confident that the other recommendations are in hand and will be implemented this year.

Many of the changes proposed by the HFEA committees and the IAs were incorporated into a review of Standing Orders considered by the Authority in March 2014 and implemented in April 2014. The HFEA will continue to:

- build on this previous work to ensure that it is an efficient and modern regulator;
- review its own performance and effectiveness; and
- reduce costs where possible.

³⁷ Available at www.gov.uk/government/publications/independent-review-into-delegation-of-approval-functions-under-the-mental-health-act-1983

Highlights of board and committee reports

The Authority considered a wide variety of issues in 2013/14. Understandably, much of its time was taken up with strategic issues around the McCracken review and its recommendations. Confirmation from the Department of Health that the HFEA would continue to exist allowed the board to focus its energies on mapping out a new strategy to come into effect in summer 2014. Alongside this it continued to consider matters of operational and sector-wide importance, including issues of significant public interest like mitochondria replacement.

As noted above, the Authority implemented a new committee structure in early 2013. The evidence is that this new arrangement is working well. The committees concerned with licensing – Licence Committee, Statutory Approvals Committee and the Executive Licensing Panel – have handled the main core business of considering licence applications and issues, applications for embryo testing and applications for importing or exporting embryos/gametes. Other statutory and advisory committees (Ethics and Standards, and Scientific and Clinical Advances Advisory) have provided high-quality advice and exercised their delegated functions appropriately.

The AGC continues to give the Authority assurance that the financial and risk-management systems are in place and of appropriate scrutiny to ensure adherence. The AGC continues to take a theme-based approach to its meetings, giving it a broad outlook over the organisation and its operations. The AGC has exercised its delegated functions, including approval of this statement, on behalf of the Authority.

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

Risk and capability

The Authority's attitude to, and management of, the risks it faces in carrying out its functions is robust but proportionate. The risks vary in their likelihood and impact, and the Authority's overall appetite for risk is 'low'. The HFEA risk management methodology takes account of HM Treasury guidance. The framework the HFEA has established to identify and manage risk is appropriate and allows for reasonable controls to be in place, without impacting on the successful delivery of the Authority's objectives.

Between the end of the financial year and the publication of this report, the HFEA has considered internal audit recommendations in relation to the risk management system, which was found to be satisfactory. One of the resulting actions will be to produce a formal, written risk policy documenting current procedures.

Operational risk

The Authority and the AGC maintains a High Level Risk Register that is reported to the Authority at regular intervals. It comprises five strategic risks which are fed into by operational risk logs; responsibility for which lies with the departmental Heads and Directors.

The HFEA's current five strategic risks reflect the focus of the organisation – primarily on delivery and the assurances and services the HFEA can offer to patients, but they also focus on reducing the burden on those regulated by the organisation. The risks faced by the HFEA when carrying out its functions are to:

- the quality of its decision-making;
- the systems on which its statutory and operational delivery is reliant;
- its ability to effectively communicate with its stakeholders;
- its ability to manage, make use of and reduce the Register data it receives from clinics; and
- achieving long-term organisational change and effective resource management without a detrimental impact on its staff.

The operational risk logs that feed into the Authority's strategic risks are reviewed regularly and reported to CMG, which in turn assesses and reports the key risks to the AGC (including internal audit). This allows for a proportionate approach to risk management to thoroughly review the work of the Authority and its Executive. It allows for the easy identification of operational risk, its assessment and any decision to escalate, and its ongoing monitoring.

Project risks are scrutinised by the Programme Board at regular intervals and active risks and issues are reported to CMG on a monthly basis. In particular, given the significance and scale of its work, the IfQ programme has its own risk register which is reported to CMG and the AGC in addition to the usual reporting arrangements.

The HFEA's system of internal risk management gives assurance that the risks the organisation faces when exercising its statutory functions are managed appropriately and mitigated against proportionately.

Regulatory risk

Alongside its arrangements for managing risk within the organisation, the HFEA also takes a risk-based approach to the way it regulates the fertility sector. In inspecting and regulating clinics, the Authority uses a risk-based assessment tool, ensuring that the HFEA's regulatory resources are targeted proportionately and reasonably. This tool (and all other processes used by the HFEA in carrying out its functions) is subject to a rigorous quality assurance regime, in line with the Macpherson review recommendations³⁸.

Information management and security

The Authority takes its responsibilities for information security most seriously. In this regard, the HFEA has a low tolerance for information risks and has in place a stringent information security policy, with identified risks and key interdependencies. Keeping secure the information the Authority holds, including sensitive personal patient data, is of the highest priority.

There were no data losses within the last year, and the HFEA continues to work hard to ensure that remains the case.

Internal incidents

The HFEA's 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 procedural failures. There were six such internal incidents in the last year, all of which were resolved satisfactorily.

Overall conclusion

The HFEA has had a challenging year, starting with uncertainty over its future, and ending with a new Chair in place, a renewed sense of purpose, and a focus on the future. I am pleased to report that the challenges the HFEA has faced in the last year were well-managed by the organisation's Directors and their teams.

I am assured by the performance of the Authority, its committees and Executive, with the support of our internal and external auditors, that a robust governance and assurance framework is in place, that our risks are managed proportionately, and that appropriate financial controls are in effect. As we look to the future, I have full confidence that the HFEA will continue in that vein, while improving the quality of our work and seeking to provide best value for public finances.



Mr Peter Thompson

Chief Executive
24 June 2014

³⁸ Available at www.gov.uk/government/publications/review-of-quality-assurance-of-government-models





7

The Certificate and Report
of the Comptroller and
Auditor General to
the Houses of Parliament

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Human Fertilisation and Embryology Authority ('the Authority') for the year ended 31 March 2014 under the Human Fertilisation and Embryology Act 1990 (as amended). The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Human Fertilisation and Embryology Act 1990 (as amended). I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Human Fertilisation and Embryology Act 1990 (as amended) and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the Human Fertilisation and Embryology Act 1990 (as amended); and
- the information given in the Directors' report, and the Strategic Report included within the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

30 June 2014



6,573		
9,768		
6,271	1,737	
23,522	938	
26,603	8,446	8
1,275	542	
26,767	6,559	8
19,542	2,055	49
11,537	3,783	12
3,175	4,410	6
1,308	104	
136,341	28,458	86
64,558	2,450	2
200,899	30,908	88
38,706	20,481	32
27,832	10,266	19
66,538	30,747	52
267,437	61,655	14

ers - gross

net

8

Financial Accounts

943	8,251		
557	25,017	27,091	
8,838	43,866	40,687	
950	2,767	2,645	
5,970	19,296	32,899	
49,287	70,884	65,286	57,500
12,602	27,922	26,111	26,111
6,633	14,218	13,909	13,909
85	1,497	1,250	
86,723	241,522	232,319	194,654
2,234	6,242	52,234	48,183
88,957	320,000	284,553	242,837
32,979	92,166	90,668	82,500
19,798	896	45,251	34,550
52,777	62	136,557	
41,734	4,000	121,110	351,419
	(3,000)	(3,000)	
466,000		417,226	347,000
15,116	115,240	748	101,200

Financial Accounts

Statement of comprehensive net expenditure for period ended 31 March 2014

		March 2013/14	March 2012/13
	Note	£	£
Expenditure			
Staff costs	3	3,622,918	3,742,895
Depreciation	4	82,049	81,176
Loss on disposal of assets	4	11,710	18
Other expenditures	4	1,311,317	1,307,590
		5,027,994	5,131,679
Income			
Income from activities	5	4,123,376	3,978,594
Other income	5	71,538	72,160
		4,194,914	4,050,754
Net income (expenditure)		(833,081)	(1,080,925)
Interest receivable	5	7,093	6,262
Net income (expenditure) after interest		(825,988)	(1,074,663)
Taxation		(1,352)	(1,252)
Total comprehensive (expenditure) for the year*		(827,340)	(1,075,915)

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

The notes on pages 65 to 79 form part of these accounts.

Statement of financial position as at 31 March 2014

		31 March 2014	31 March 2013
	Note	£	£
Non-current assets			
Property, information technology and office equipment	7	74,998	43,300
Intangible assets	8	63,730	103,130
Total non-current assets		138,728	146,430
Current assets			
Trade and other receivables	10	1,081,551	1,144,565
Cash and cash equivalents	11	2,803,907	2,678,118
Total current assets		3,885,459	3,822,683
Total assets		4,024,187	3,969,113
Current liabilities			
Trade and other payables	12	400,089	497,102
Provisions	13	209,560	240,757
Total current liabilities		609,649	737,859
Non-current assets plus/less net current assets/liabilities		3,414,537	3,231,254
Non-current liabilities			
Provisions	13	100,290	107,929
Total non-current liabilities		100,290	107,929
Total assets less liabilities		3,314,247	3,123,325
Financed by taxpayers' equity			
I&E Reserve		3,314,247	3,123,325
Total taxpayers' equity		3,314,247	3,123,325

The financial statements on pages 62 to 65 were approved by the board on 16 June 2014 and signed on its behalf by:



Mr Peter Thompson

Chief Executive

24 June 2014

The notes on pages 65 to 79 form part of these accounts.

Statement of cash flows for the year ended 31 March 2014

		March 2013/14	March 2012/13
	Note	£	£
Cash flows from operating activities			
Net operating surplus/(deficit) after interest		(825,988)	(1,074,663)
Depreciation and amortisation	4	82,049	81,176
(Increase)/decrease in trade and other receivables	10	63,014	87,285
Increase/(decrease) in trade and other payables	12	(97,013)	(75,837)
Loss on disposals of non-current assets	4	11,710	18
Taxation		(1,352)	(1,252)
Movement in provisions	13	(38,836)	(147,234)
Net cash inflow/(outflow) from operating activities		(806,415)	(1,130,507)
Cash flows from investing activities			
(Payments) for property, computer and office equipment	7	(64,907)	(17,338)
(Payments) for intangible assets	8	(21,150)	(62,102)
Net cash inflow/(outflow) from investing activities		(86,057)	(79,440)
Cash flows from financing activities			
Grants from parent department (Department of Health)		1,018,262	778,476
Net Cash inflow/(outflow) from financing activities		1,018,262	778,476
Net increase/(decrease) in cash and cash equivalents in the period	11	125,789	(431,471)
Cash and cash equivalents at the beginning of the period	11	2,678,118	3,109,589
Cash and cash equivalents at year end		2,803,907	2,678,118

As at 31 March 2014 there were no fixed asset accruals (2012/13: £3,740).

The notes on pages 65 to 79 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	£
Balance at 1 April 2012	3,420,764
Changes in taxpayers' equity for 2012/13	
Grant from Department of Health	778,476
Comprehensive income/(expenditure) for the year	(1,075,915)
Balance at 31 March 2013	3,123,325
Changes in taxpayers' equity for the year ended 31 March 2014	
Grant from Department of Health	1,018,262
Comprehensive income/(expenditure) for the year	(827,340)
Balance at 31 March 2014	3,314,247

The notes on pages 65 to 79 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

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

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

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

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

(a) Accounting convention

These accounts are prepared under the historical cost convention.

(b) Non-current assets

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

All property, plant and equipment and intangible assets held by the HFEA at 31 March 2014 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.

- **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the HFEA accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed annually. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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. In this financial year the HFEA has revised its estimates as assets are lasting longer.

Expected useful lives are as follows:

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

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

(d) Grant-in-aid

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

Revenue Grant-in-aid: £1,340,000 allocated; £988,262 drawn down.

Capital Grant-in-aid: £30,000 allocated; £30,000 drawn down.

(e) Operating income

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

An estimate of the income for treatments provided by the clinics, but not reported to the HFEA, at 31 March 2014, is accrued. This is calculated by clinic in a report from the Automated Billing System, based on the typical delay between the clinic providing the treatment to the patient and reporting the treatment to the HFEA and the clinic's recently reported monthly treatment numbers.

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

(f) Operating leases

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

(g) 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.

(h) Disclosure of fees and costs information

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

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

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

Grant-in-aid is also received for the purchase of IT, furniture and other office equipment.

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

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

(i) Value added tax

The Authority was not registered for VAT during the financial year 2013/14.

(j) Cash

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

(k) 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 Authority's financial assets comprise cash at bank and in hand, licence fee debtors, balances with central Government bodies, and other debtors.

The Authority'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 Authority has not entered into any transactions involving derivatives.

(l) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that the Authority 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.

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.

3. Staff costs

Staff costs

	March 2013/14			March 2012/13
	Total	Permanently employed staff	Members	Total
	£	£	£	£
Wages and salaries	2,844,257	2,679,643	164,614	3,027,888
Social security costs	254,988	246,456	8,532	242,741
Pension costs	523,673	523,673	0	518,586
Staff costs	3,622,918	3,449,772	173,146	3,789,215
Less recoveries in respect of outward secondments	0	0	0	(46,320)
Total Net staff costs	3,622,918	3,449,772	173,146	3,742,895

As noted in para (g) on page 66, further information in respect of Civil Service pensions is provided in the Remuneration Report on pages 36 to 42.

Average number of staff employed

The average number of persons employed during the period were as follows:

	2013/14		2012/13
	Total	Permanent staff	Total
Directly employed	66	66	66
Other	0	0	1
Total	66	66	67

The average number of staff employed for the period ending 31 March 2014 was 66 (2012/13: 67).

Exit packages agreed in 2013/14

Exit package cost band (including any special payment element)	2013/14			2012/13		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	0	0	0	0	0
£10,001 - £25,000	0	1	1	0	0	0
£25,001 - £50,000	0	2	2	0	0	0
£50,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	0	3	3	0	0	0
Total resource cost (£'000s)	0	110	110	0	0	0

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

4. Other expenditure

		March 2013/14	March 2012/13
	Note	£	£
Running costs	a	830,565	1,025,447
Professional and administrative fees		343,247	275,206
Rentals under operating leases		145,326	161,731
Audit expenditure	b	32,179	60,206
Total other expenditure		1,351,317	1,522,590
Non-cash items			
Depreciation and amortisation		82,049	81,176
Loss on disposal of assets		11,710	18
Release of Provision		(40,000)	(215,000)
Total		1,405,076	1,388,784

Notes

- a. Running costs include the provision provided for in year.
- b. Audit expenditure includes NAO external audit fee of £27,500.

5. Income

(a) Summary of income

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

Analysis of income	March 2013/14	March 2012/13
	£	£
Licence fee income	4,123,376	3,978,594
Other income	78,630	72,160
Total income for the year	4,202,006	4,050,754

6. Fees and related costs

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

For the purposes of providing information on fees and charges, these fees are calculated on a full cost recovery basis, in order that all costs incurred by the HFEA in the grant of and superintending of compliance with the terms of licences, are included in the final fees invoiced to the licensee. During the year to 31 March 2014, the licence fee income received by the HFEA represented the costs incurred in the granting of new licences and the regulation of licences in force for the period.

The fees and associated costs for these activities are summarised below:

	March 2013/14	March 2012/13
	£	£
Licence fee income	4,123,376	3,978,594
Costs allocated to regulatory activities	3,921,869	4,317,027
Surplus/(deficit)	201,507	(338,433)

In addition, there are elements of the Authority's work that do not relate directly to the above regulatory process. The Department of Health accordingly contributes to the funding of these activities through the provision of annual Grant-in-aid. The balance of costs relating to these activities is funded from fees income.

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

7. Property, plant and equipment

2013/14					
	Leasehold improvements	Information technology	Office equipment	Furniture and fittings	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2013	0	357,416	67,608	73,098	498,122
Additions purchased	0	63,540	0	1,367	64,907
Disposals	0	(5,888)	(25,960)	(23,492)	(55,339)
At 31 March 2014	0	415,068	41,648	50,973	507,690
Depreciation					
At 1 April 2013	0	335,592	47,855	71,375	454,822
Charged during the year	0	24,500	7,155	1,554	33,209
Disposals	0	(5,888)	(25,960)	(23,492)	(55,339)
At 31 March 2014	0	354,205	29,050	49,437	432,692
Net book value at 31 March 2014	0	60,864	12,598	1,536	74,998
Net book value at 31 March 2013	0	21,824	19,753	1,723	43,300
Asset financing					
Owned	0	60,864	12,598	1,536	74,998
Total at 31 March 2014	0	60,864	12,598	1,536	74,998

2012/13					
	Leasehold improvements	Information technology	Office equipment	Furniture and fittings	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2012	569,041	363,737	56,546	73,098	1,062,422
Additions purchased	0	5,400	11,938	0	17,338
Disposals	(569,041)	(11,721)	(876)	0	(581,638)
At 31 March 2013	0	357,416	67,608	73,098	498,122
Depreciation					
At 1 April 2012	569,041	327,966	42,236	59,506	998,749
Charged during the year	0	19,345	6,477	11,869	37,691
Disposals	(569,041)	(11,719)	(858)	0	(581,618)
At 31 March 2013	0	335,592	47,855	71,375	454,822
Net book value at 31 March 2013	0	21,824	19,753	1,723	43,300
Net book value at 31 March 2012	0	35,771	14,310	13,592	63,673
Asset financing					
Owned	0	21,824	19,753	1,723	43,300
Total at 31 March 2013	0	21,824	19,753	1,723	43,300

8. Intangible assets

2013/14			
	Software licences	Constructed software	Total
	£	£	£
Cost or valuation:			
At 1 April 2013	337,792	604,513	942,305
Additions purchased	21,150	0	21,150
Disposals	(37,230)	(105,807)	(143,037)
At 31 March 2014	321,712	498,706	820,418
Depreciation			
At 1 April 2013	288,603	550,572	839,175
Charged during the year	22,439	26,401	48,840
Disposals	(35,694)	(95,632)	(131,327)
At 31 March 2014	275,348	481,340	756,688
Net book value at 31 March 2014	46,364	17,366	63,730
Net book value at 31 March 2013	49,189	53,941	103,130
Asset financing			
Owned	46,364	17,366	63,730
Total at 31 March 2014	46,364	17,366	63,730

2012/13			
	Software licences	Constructed software	Total
	£	£	£
Cost or valuation			
At 1 April 2012	290,567	589,636	880,203
Additions purchased	47,225	14,877	62,102
Disposals	0	0	0
At 31 March 2013	337,792	604,513	942,305
Depreciation			
At 1 April 2012	271,791	523,899	795,690
Charged during the year	16,812	26,673	43,485
Disposals	0	0	0
At 31 March 2013	288,603	550,572	839,175
Net book value at 31 March 2013	49,189	53,941	103,130
Net book value at 31 March 2012	18,776	65,737	84,513
Asset financing			
Owned	49,189	53,941	103,130
Total at 31 March 2013	49,189	53,941	103,130

9. Financial instruments

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

a) Liquidity risk

Over 80% of total gross income (including Grant-in-aid) during the year was derived directly from the number of IVF and donor insemination treatment cycles performed by licensed clinics and reported to the HFEA, together with licences issued to clinics.

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 risks.

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 0.14% of the total revenues of the HFEA (including Grant-in-aid). Therefore, the HFEA has no significant exposure to interest rate risk.

c) Credit risk

The Authority 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. The HFEA is therefore not exposed to significant credit risk.

d) Financial assets and liabilities

The only financial asset held at a floating rate was cash at bank of £2,803,273.85. Petty cash held on site amounted to £634.19. As at 31 March 2014, none of the Authority's financial liabilities were carried at a floating rate. The fair value of the financial assets and liabilities was equal to the book value.

e) Foreign currency risk

Consistent with previous accounting periods there were minimal foreign currency transactions conducted by the HFEA during the period ended 31 March 2014. There was therefore no significant foreign currency risk during the year.

10. Trade and other receivables

	31 March 2014	31 March 2013
	£	£
Analysis by type		
Trade receivables – licence fee debtors	525,345	695,455
Less: provision for doubtful debts	0	(42,375)
Prepayments and accrued income	525,333	449,114
Other receivables	30,874	42,371
Total	1,081,551	1,144,565
Intra-Government balances		
Other central Government bodies	80,631	80,070
NHS bodies	329,415	385,599
Total intra-Government balances	410,046	465,669
Bodies external to Government	671,505	678,896
Total	1,081,551	1,144,565

Prepayments and accrued income include calculations of the fees due to be invoiced to clinics after the balance sheet date in respect of chargeable treatments undertaken before the balance sheet date.

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

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

11. Cash and cash equivalents

	£
Balance at 31 March 2012	3,109,589
Net change in cash	(431,471)
Balance at 31 March 2013	2,678,118
Net change in cash	125,789
Balance at 31 March 2014	2,803,907

£2,460,300.49 of the balance at 31 March 2014 was held with the Government Banking Services (£2,554,433 in 2012/13). The remaining balance was held at Commercial banks and as cash in hand.

No cash equivalents were held by the Authority during the year.

12. Trade payables and other current liabilities

	31 March 2014	31 March 2013
Analysis by type	£	£
Trade payables	9,593	13,495
Accruals and deferred income	349,495	466,210
Other taxation and social security	188	1,359
Other payables	40,814	16,038
Total	400,089	497,102
Intra-Government balances		
Other central Government bodies	160,134	148,109
Bodies external to Government	239,956	348,993
Total	400,090	497,102

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

13. Provisions

	Legal	Early retirement costs	Restructure/relocation costs	Totals
	£	£	£	£
Balance at 31 March 2013	180,000	120,686	48,000	348,686
Provided in period	0	0	56,803	56,803
Utilised in the period	0	(7,639)	(48,000)	(55,639)
Release of provision for the period	(40,000)	0	0	(40,000)
Balance at 31 March 2014	140,000	113,047	56,803	309,850

Analysis of expected timing of payment or release of provisions	Legal	Early retirement costs	Restructure/relocation costs	Totals
	£	£	£	£
No later than one year	140,000	12,757	56,803	209,560
Later than one year and not later than five years	0	100,290	0	100,290
Later than five years	0	0	0	0
	140,000	113,047	56,803	309,850

Based on current information the legal provision of £180,000 brought forward from financial year 2012/13 has been reduced. The balance of £140,000 remains for litigation costs in relation to the judicial review of actions taken by the HFEA.

The legal and professional fees of defending actions brought against the HFEA are accounted for in the period in which they arose.

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

A restructuring provision has been created for the costs of a vacated post that arose in January 2014.

14. Capital commitments

There were no capital commitments as at 31 March 2014 (2012/13: £nil).

15. Commitments under leases

Operating leases

The HFEA is committed to the following operating lease payments:

	Rent	31 March 2014	31 March 2013
	£	£	£
Obligations under operating leases comprise			
Total future minimum lease payments payable			
Not later than one year	191,641	191,641	148,323
Later than one year not later than five years	271,492	271,492	320,215
	463,133	463,133	468,538

16. Contingencies

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

At the date of finalising these accounts, in addition to the litigation provision included in note 13, the HFEA is party to other legal proceedings as detailed below.

On the 27 and 28 May 2014, pre-action letters were received which may result in legal challenges regarding decisions made by the HFEA. The financial consequences of these is at present unknown.

The HFEA regulates a sector that addresses some highly charged issues, of both a personal and clinical nature, which may generate close scrutiny. Some of the projects and work that the HFEA has undertaken, as well as certain decisions that the HFEA has made in 2013/14, may give rise to later challenge, including a risk of legal action.

17. Related party transactions

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

During the period the HFEA received £988,262 from the Department of Health in relation to operational Grant-in-aid and £30,000 for capital Grant-in-aid.

At the 31 March 2014 £nil in Grant-in-aid was due to the HFEA from the Department of Health and £nil balances were due to the Department of Health from the HFEA. The Department of Health invoiced the HFEA £29,504 in relation to internal audit work relating to 2012/13 business year. At 31 March 2014, internal audit work in the sum of £10,381 was still to be invoiced by the Department of Health.

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

The CQC invoiced the HFEA £79,656 in relation to rent, rates, accommodation costs and IT network room maintenance costs. At 31 March 2014 the HFEA had £83,111 accrued and owing to the CQC and £nil was due to the HFEA from the CQC.

- (c) During the period to 31 March 2014, the HFEA continued to co-ordinate a training and development programme for staff at management levels in the following NHS bodies and Department of Health ALBs; NHS Blood and Transplant, Public Health England (formerly the Health Protection Agency), the CQC and the HTA.

Costs totalling £122,361 arose in respect of the programme during the period and were settled by the HFEA on behalf of the consortium.

The closing balance of net contributions of £4,387 is contained within these accounts and will be clawed back from contributing organisations.

- (d) The following members of the Authority have senior management responsibilities at either NHS Trusts or private clinics that are regulated by the HFEA:

Mr Hossam I Abdalla, FRCOG – Director and Person Responsible for the Lister Fertility Clinic. Fees invoiced by the HFEA to the Lister Hospital during the period amounted to £183,129. The balance on the Lister's account as at 31 March 2014 was £nil.

Dr Alan R Thornhill – Scientific Director and Person Responsible for the London Bridge Fertility, Gynaecology and Genetics Centre, London. Fees invoiced by the HFEA to the centre during the period amounted to £107,381. The balance outstanding as at 31 March 2014 was £17,035.

At the 31 March 2014 in addition to the sums noted above, some accrued income was due from the above mentioned clinics which is included in the income from activities (note 5).

Mrs Rebekah Dundas – Member of Infertility Network UK. Payments totalling £413 were made to Infertility Network UK by the HFEA during the period for reimbursement of travel and subsistence expenses incurred by the member of the organisation in respect of HFEA business.

18. Losses and special payments

No losses or special payments arose during the period.

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

The Treasury FReM does not require the following standards and Interpretations to be applied in 2013/14. The application of the Standards as revised would not have a material impact on the accounts in 2013/14, were they applied in that year.

– Not applicable.

20. Events after the reporting period

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

