Human Fertilisation & Embryology Authority

Annual report and accounts 2019/20

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Chief Executive's foreword

2019-20 has been a successful year. We have delivered on almost all our key business plan milestones including some significant achievements.

We have completed all our planned inspection programme (until the restrictions imposed by COVID-19) and undertaken several unplanned investigations in response to a range of events. This activity is summarised in our annual State of the Sector report which we published in October 2019. We processed 667 reported incidents, a number consistent with clinic performance in previous years and symptomatic of our ethos of reporting learning. Our new quarterly incident report to the sector has been introduced to aid learning in the sector.

The multiple birth rate has continued to fall and now stands at 8% for 2018 data– this is below our 10% target and as the biggest single health risk to mothers and babies represents a real public health success. You can see just how significant an achievement this is when you consider that the multiple birth rate from IVF stood at 24% in 2008 when we launched our campaign.

We are now inspecting against our latest (9th) Code of Practice, which expects much more of our clinics in terms of leadership and patient support. We held our second PR event for clinic leaders in the Autumn of 2019 to set out those expectations and with near full attendance from clinics, this annual event will continue to be key in how we support and challenge clinic leaders to improve patient care.

Treatment Add-ons were probably the most controversial and high-profile aspect of our policy and regulatory activity in 2019. Our statutory powers are limited so we have had to work with other 'softer' levers. We led on and secured a consensus statement with all the professional bodies in the sector about the right way to responsibly offer treatment add-ons.

Looking ahead to 2020/21 had I been writing in March I would have focussed on the ambitions of our new strategy for 2020-23. But COVID-19 has changed everything – for the first half of this business year at least and possibly longer.

We moved quickly to suspend almost all treatment in the UK fertility sector in the response to the COVID-19 pandemic and Government advice. Though difficult, that decision was proportionate and necessary given the public health crisis. We then moved equally quickly to agree a set of conditions that have enabled licensed clinics to resume treatment safely. However, although almost all clinics have now re-opened it will take some time for activity to reach normal levels. This means that many patients may not have easy access to services and may have to travel long distances to reach a clinic.

For the HFEA that means that clinic income for April and May effectively dropped to zero and we expect income to be significantly lower than planned for some months to come. We have reached agreement with our sponsor department for additional Grant in Aid funding for the new business year, to ensure we can operate effectively. The work we had planned on a new fee regime therefore takes on a greater urgency this year. Our aim is to complete that work and secure DHSC and Treasury agreement in good time for the new regime to be introduced at the start of the next financial year in April 2021.

In the light of the unprecedented challenge that we face from COVID-19, we have re-prioritised our business plan for 2020-21. The first six months will now focus on navigating the pandemic, undertaking desk-based inspections and licensing, and certain key policy activity where we can make progress, largely related to some limited work on treatment add-ons and work on a new compliance and enforcement policy.

Even in these circumstances our other work continues. Our PRISM system, which is now being developed and tested remotely, and is still on track to complete this summer and we are now planning for a staggered launch in September and October where clinics are able to use the new system as they are able.

We, together with the CQC, NICE, the HRA and the HTA, are due to move to new offices in Stratford, in east London in late 2020. Although COVID-19 is impacting on building work we remain confident we will be able to move by November 2020, ahead of our current lease ending in December 2020.

Peter Thompson
Chief Executive

Performance Report

Overview

2019-20 has been a successful year. As well as delivering our usual range of statutory functions, such as regulating and licensing clinics, we made good progress towards our vision of high-quality care for everyone affected by assisted reproduction.

The Authority has delivered its last three-year strategy and the consultation we ran during 2019-20 shows clear support for the direction of travel set out in our new strategy for 2020-23 (now likely to be published in the autumn and extended to 2024).

We have made significant progress on each element of our 2017-2020 strategy: safe, ethical effective treatment; consistent outcomes and support; and improving standards through intelligence.

Our legislation and functions

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

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

Under this legislation our main statutory functions are:

- to license and inspect clinics carrying out in vitro fertilisation and donor insemination treatment;
- to license and inspect centres undertaking human embryo research;
- to license and inspect the storage of gametes (eggs and sperm) and embryos;
- to publish a Code of Practice, giving guidance to clinics and research establishments about the proper conduct of licensed activities;
- to keep a register of information about donors, treatments and children born as a result of those treatments;
- to keep a register of licences granted;
- to keep a register of certain serious adverse events or reactions;
- to investigate serious adverse events and serious adverse reactions and take appropriate control measures.

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

- promoting compliance with the requirements of the 1990 act (as amended), the 2008 act and the Code of Practice;
- maintaining a statement of the general principles that we should follow when conducting our functions and by others when carrying out licensed activities;
- observing the principles of best regulatory practice, including transparency, accountability, consistency, and targeting regulatory action where it is needed;

- carrying out our functions effectively, efficiently and economically;
- publicising our role and providing relevant advice and information to donor-conceived people, donors, clinics, research establishments and patients;
- reviewing information about:
  - human embryos and developments in research involving human embryos
  - the provision of treatment services and activities governed by the 1990 act (as amended)
- advising the Secretary of State for Health and Social Care on developments in the above fields, upon request.

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

Delivery in 2019/20

Our objectives for 2019/20 were as follows:

Safe, ethical, effective treatment

We completed our full programme of clinic inspection, audit and licensing activities, embedding and inspecting against leadership and support principles, until the restrictions from COVID-19 were imposed in mid-March 2020. We then suspended inspections for a six month period, with alternative arrangements in place to ensure that statutory compliance and licensing arrangements could continue in the absence of physical clinic visits by inspectors. Treatments were suspended under a new General Direction (0014) for a period of several weeks. Clinics were subsequently allowed to re-open from mid-May, when wider restrictions were somewhat eased, provided they met specified safety standards.

During the year up to mid-March, we also undertook several unplanned investigations in response to a range of events.

Our activity is summarised in our annual State of the Sector report which we published in October 2019. We processed 667 reported incidents, a number consistent with clinic performance in previous years and symptomatic of our ethos of reporting learning. A new quarterly incident report to the sector was introduced to aid learning in clinics.

We published our latest (9th) Code of Practice, which focuses particularly on clinic leadership and patient support. We held our second PR event for clinic leaders in the Autumn of 2019 to set out our expectations. The new Code also included changes in relation to surrogacy, screening and professional guidelines. We separately released guidance on electronic consent, and this will be reflected in a future edition of the Code.

The multiple birth rate has continued to fall and now stands at 8% for 2018 data – this is below our 10% target and as multiple birth presents the biggest single health risk to mothers and babies represents a real public health success. The multiple birth rate from IVF stood at 24% in 2008 when we first launched our campaign.

We implemented recommendations from a review of our licensing function, including making process improvements and an improved quality assurance system, to enhance the quality of licensing products and the resulting decision-making.

We ran a project to implement changes related to EU exit, to ensure that any risks and issues were identified and mitigated appropriately and that we had assurance of our own and sector preparedness.

We also issued clinics with importing tissue establishment certificates to comply with European Union (EU) requirements relating to the import and coding of donor eggs and sperm.

Our website includes a wide range of up-to-date scientific information to provide clear and unbiased information for patients about treatments. We have a process in place for regularly assessing the efficacy of add-ons through a traffic light system. In 2019/20, none of the treatment add-ons we have assessed have been rated green. This means that we don’t think any of these techniques should be used routinely. We also led on and secured a consensus statement with all the professional bodies in the sector about the right way to responsibly offer treatment add-ons on top of basic IVF.

Our annual horizon scanning process helped to ensure that our policy developments and website materials were informed by expert input and an understanding of current scientific issues and future developments.

We have also seen a large increase in interest in access to our Register of treatments and have worked with researchers to enable access to the anonymised register or considered and processed formal applications to access identifiable data under the 2010 regulations.

Consistent outcomes and support

We provided advice and information to patients about accessing treatment and donation via our website. We also undertook various patient and public events, attending several fertility shows and events to provide clear, unbiased information.

In our inspections, we continued to focus on the quality and safety of care, including a continued focus on the consent provided by patients and donors.

We completed a project on the emotional experience of care before, during and after treatment, working with professional stakeholders to provide guidance and materials to support clinics to improve in this area.

We began to prepare for the 18th anniversary in 2023 of the lifting of donor anonymity, which will allow donor conceived young people to access information about their donor for the first time. In addition, we processed 512 requests for personal sensitive information from our Register on time and in a way which is compatible with data protection rules. We also ensured that counselling services for ‘Opening the Register’ applicants continued to be provided.

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

We also began some work to explore the factors underlying success rates, initially by analysing our Register data and other available data, and plan to continue with that work in the coming year.

Improving standards through intelligence

We have started to make much better use of the data in the Register, providing statistics for a very large range of researchers, patients, clinics and the media.

We have also begun to make progress towards applying the intelligence from inspections, the sector, patient feedback and data analysis to make more targeted and responsive interventions.

We undertook a data verification exercise with clinics and refreshed the data available on our Choose a Fertility Clinic website, to ensure that patients can make treatment decisions based on accurate and impartial success rate data.

We have made use of our Intelligence team capability to improve our key publications and issue new targeted reports on particular topics such as egg freezing. We have also released periodic reports on non-compliances to the sector and ensure that others learn from this. We intend to do further work in the next business year to consider how our intelligence can inform policy making and inspection.

We also continued with our work to complete a new data submission system, PRISM, which is due to launch in 2020. We are also preparing to migrate our data into a new Register structure.

Risks as at 31 March 2020

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

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

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

Risk area	Main strategic risks monitored	Related strategic theme
Regulatory effectiveness	Translation of data into quality	Improving standards through intelligence
Effective communications	Messaging, engagement and information provision	Safe, ethical effective treatment; consistent outcomes and support
Cyber security	Security and infrastructure weaknesses	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
Financial viability	Income and expenditure	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
Capability	Knowledge and capability	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence

Board Capability	Statutory decision-making	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
Legal challenge	Resource diversion	Safe, ethical, effective treatment
Relocation of HFEA offices	Resource and business continuity	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence
Coronavirus[1]	Business continuity	Safe, ethical effective treatment; consistent outcomes and support; Improving standards through intelligence

Going concern

The HFEA derives the majority of its income (c.80%) from licence fees charged to clinics undertaking fertility treatments. These fees are activity driven, with each IVF or Donor Insemination cycle attracting a fee of £80 or £37.50 respectively. The impact of the COVID19 pandemic has seen a suspension of all fertility treatments for 2 months. Given the initial impact of the suspension on activity, which will likely be followed by a gradual increase in activity over the remainder of the 2020/21 financial year, we believe there will be a significant reduction in our income for the upcoming business year. Our reserves are such that operations can be maintained for a period of 5 months; however, we have agreed additional Grant in Aid funding for the 2020/21 financial year to ensure the HFEA can fulfil its regulatory remit. In addition, the HFEA will be undertaking a full review of its licence fee model during 2020/21 to ensure that it can recover the cost of regulation form the sector in future years.

In light of this position we consider the use of the going concern basis of accounting remains appropriate, as there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the organisation to continue as a going concern.

[1] This is a new risk that was formulated prior to the end of the financial year. Plans are in progress and will be further developed during the start of the new business year.

Performance analysis

Measuring performance

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

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

Analysis of performance in 2019/20

Performance indicators (KPI)	Target 2019/20	KPI	Target 2018/19	KPI
A: Compliance				
Average number of working days taken for the whole licensing process, from the day of inspection to the decision being communicated to the centre	70 working days	**62 working days**	70 working days	60 working days
B: Communication and information				
Opening the Register requests responded to within 20 working days	100%	**97% (512/529 requests)**[2]	100%	99% (327/329 requests)
Requests for contributions to Parliamentary questions (PQs) answered within DHSC deadlines.	100%	**100% (22/22 PQs within deadline)**	100%	100% (117/117 PQs within deadline)
C: Corporate				
Staff sickness absence rate (%)	No more than 2.5%	**1.6%**	No more than 2.5%	0.4%
Cash and bank balance at end of the year	To continue to move further towards the DHSC's agreed minimum cash reserve of £1.52m	**£2.46m**[3] **(decreased from £2.66m in 18/19)**	To continue to move further towards the DHSC's agreed minimum cash reserve of £1.52m	£2.66m (decreased from £3.23m at the end of 17/18)
Percentage of invoices paid within 10 calendar days	70% paid within 10 days	**93%**	70% paid within 10 days	90%
Debts collected within 60 calendar days	85%	**86%**	85%	85%

[2] The requests have decreased by 60.8% from 2018/19 due to Parliament not sitting for large parts of the 19/20 year

[3] Reduction in cash balance is due to use of cash reserves to fund PRISM

Financial review

We are funded from two main sources:

- licence and treatment fees from the establishments we licence (81%), and
- grant-in-aid from the DHSC (17%).
- the remainder coming from recharges for staff time and interest received

68% of our expenditure is on staff costs. Our other administrative costs include spend on legal costs (2%) and facilities expenses (6%).

Summary position as at 31 March 2020

	2019/20	2018/19
	£'000s	£'000s
Expenditure		
Staff costs	4,629	4,391
General administrative costs	2,134	2,315
Total expenditure[4]	**6,763**	6,706
Income		
Revenue from contracts with customers	5,230	5,348
Other income	218	138
Total income[5]	**5,448**	5,486
Net (expenditure)/income before interest and tax[4]	**(1,315)**	(1,220)

Our financial results are included in the accounts on pages 46 to 49 and show that the deficit before interest and tax was £1,314,295 (18/19 a deficit of £1,219,788). This increase from last year is due to an increase in our staff costs (5% on last year) where posts recruited to have been filled for a large part of the year. Our closing headcount has increased by 3 compared to last year. However, our Agency staff costs are slightly lower (£591k compared to £616k in 2018/19). The agency staff costs relate mainly to the completion of the PRISM project (also known as Digital Projects). Expenditure on IT consultancy and support costs have been incurred in the 2019/20 business year totalling £352,923 and are included in running costs.

The DHSC provided grant-in-aid towards the financing of resource expenditure of £938,000 (2018/19 £934,00) plus funding for the increase in employers pension contributions £100,000, EU funding of

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

£40,000 and £100,000 Capital expenditure (2018/19: £500,000 budget cover). We also received non-cash income (Ring-fenced RDEL) of £503,940 (2018/19 £336,500) to cover non-cash costs of depreciation and amortisation. Below is a summary of our overall position; taking into account the resource financing, interest and tax, we had a surplus of £279,475[6] (2018/19 £62,236).

	2019/20[6]	2018/19[6]
Net (expenditure)/income before interest and tax	**(1,314)**	(1,220)
Resource financing[7]	**1,582**	1,270
Finance Income	**14**	15
Net income/(expenditure)	**282**	65
Taxation	**(3)**	(3)
Surplus for the year	**279**	62

Other areas have remained largely the same with some downward movement in our legal fees (2%) and increases in external and internal audit fees 5% and 51% respectively.

Cash reserves have decreased by £198k (7%), (£566k 18% 2018/19). We have continued to use our cash reserves in the funding of the PRISM project and these costs are categorised as revenue.

Supplier payments

We aim to pay all undisputed invoices in accordance with suppliers' terms of payment, which are usually within 30 days. During the financial year, we settled 100% of all invoices received within 30 days with a value of £2,448,179 (2018/19 100% with a value of £2,965,044).

Our staff

Recruitment

All appointments are made in accordance with our recruitment and selection policy so that they are made on the basis of merit and in accordance with equal opportunities.

Learning and development

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

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[6] Figures in these columns may vary to the accounts due to rounding

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

In 2018 we re-allocated a portion of our training budget, giving more flexibility to Head of Departments to authorise a range of types of learning. This continued throughout 2019/20 and has proven to be a welcome change.

Staff development

We continue to encourage staff development offering the following courses and workshops for all staff:

- Equality and diversity
- Counter-fraud awareness
- Presentation skills

Workshops that looked at the development and re-design of our core values were conducted in quarter three of the business year.

Staff engagement and wellbeing

We promote staff engagement through various channels including regular all-staff and team meetings, including our annual staff conference. We have an intranet that is extensively used to keep our staff abreast of any newsworthy items, whether that be the latest courses on offer or as recently guidance and helpful tips for remote working during the COVID-19 pandemic.

We engaged with staff in the creation of a new set of values through workshops and shared the final framework with staff at our annual away day.

We have trained several staff to become certified Mental Health First Aiders, providing a point of contact for staff to approach. This is more appropriate as we entered into the coronavirus pandemic and where staff mental health and wellbeing has become extremely important.

Staff Survey

This year we conducted two pulse surveys in order to gauge how our staff are feeling and thinking. Average responses to the surveys ranged between 51% and 62%. We plan to conduct our annual staff survey later in the 2020 business year.

Disabled employees

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

Equality Act 2010 – equality and diversity on pay

We remain compliant with the requirements of the Equality Act 2010 and we continue collectively to ensure, throughout the year, that we fulfil our obligations under the Equality Act. All posts are systematically evaluated, against a formal job evaluation scheme ‘Croner Reward’, aiming to ensure that salaries are internally consistent, fair and equitable.

Our gender breakdown at 31 March 2020, of Authority members, permanent and seconded staff, is as follows:

	Male	Female	Total
Authority members	4	8	12
Senior Management Team (SMT)	2	2	4
All staff (including SMT, excluding Authority)	12	54	66[8]

Social, community, sustainability, human rights and environmental issues

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

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

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

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

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

Peter Thompson
Chief Executive
Accounting Officer **8 July 2020**

[8] (2018/19 Male 10/Female 53)

Accountability Report

Corporate governance report

Directors' report

Our board (the Authority)

Our board is made up of 14 members appointed through an open public process, although for part of the year we conducted our activities with only 12 members. Below are details of the current and out-going Authority members during the 2019/20 financial year. Biographies for each can be found on our website.

Authority member	Appointment start date	Appointment end date
Sally Cheshire (Chair)	7 November 2006	31 March 2021 (re-appointed 9 March 2020
Kate Brian	12 November 2014	11 November 2020 (re-appointed 27 September 2017)
Anthony Rutherford	12 November 2014	11 November 2020 (re-appointed 27 September 2017)
Yacoub Khalaf	30 April 2015	31 March 2021 (re-appointed 27 September 2017)
Margaret Gilmore (Deputy Chair)	1 April 2015	31 March 2021 (re-appointed 27 September 2017)
Anita Bharucha (Chair of AGC)	30 April 2015	31 March 2021 (re-appointed 27 September 2017)
Anne Lampe	1 February 2016	31 January 2022 (re-appointed 28 June 2018)
Ruth Wilde	1 January 2016	31 December 2021 (re-appointed 28 June 2018)
Bobbie Farsides	22 November 2016	21 November 2019 (term ended)
Professor Jonathan Herring	18 July 2018	17 July 2021
Rachel Cutting	18 July 2018	17 July 2021 (resigned 10 November 2019)
Professor Gudrun Moore	18 July 2018	17 July 2021
Professor Emma Cave	1 October 2018	30 September 2021
Rev. Ermal Kirby	1 May 2019	30 April 2022

Senior Management Team

Our Chief Executive and directors, and their responsibilities, during 2019/20 are set out below.

Peter Thompson, Chief Executive HR Legal		
Richard Sydee[9], Director of Finance and Resources	Clare Ettinghausen, Director of Strategy and Corporate Affairs	Rachel Cutting[10], Director of Compliance and Information (appointed 11 November 2019)
Budgeting Accounting Financial control Audit and risk assurance Estate and Facilities	Governance and licensing Regulatory policy Engagement and communications Business planning Programme management	Inspection and clinical governance Business support Information and Register Development Network support

Interests of Authority members and senior staff

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

Pensions

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

Data incidents

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

Our auditors

The Comptroller and Auditor General is appointed by statute to audit our financial statements.
The fees of the National Audit Office are set out in note three to the accounts. No fees were incurred for non-audit work.

Disclosure of information to our auditors

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

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

[10] Rachel Cutting was previously a member of the board member till her resignation and appointment as Director of Compliance and Information on 11 November 2019.

Statement of Accounting Officer's responsibilities

The statement of accounts is prepared in a form directed by the Secretary of State for Health in the 2014 Framework Agreement, in accordance with section six of the 1990 Act (as amended).

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

In preparing the accounts, I am required as the Accounting Officer to comply with the requirements of the Department of Health and Social Care Group Accounting 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 Department of Health and Social Care Group Accounting Manual, have been followed and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis as there are now no formal grounds to consider this inappropriate.

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

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

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

Accounts direction

The statement of accounts is prepared in a form directed by the Secretary of State for Health in 2014 Framework Agreement, in accordance with section six of the 1990 Act (as amended).

Authority statement

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

Governance statement

This statement sets out our governance and control framework during 2019/20 and the risks to HFEA performance. It explains how I have discharged my responsibility, as Accounting Officer, to manage and control the HFEA's resources in 2019/20.

Governance framework

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

Our board (the Authority)

The Authority overseas the strategic direction and delivery of objectives and ensures that the core purpose and values of the organisation are upheld. The Authority is led by the Chair and comprises Non-Executive Directors (NEDs) and Executive Directors including the Chief Executive, Director of Finance and Resources, Director of Strategy and Corporate Affairs and Director of Compliance and Information.

Details of Authority members and attendance are below.

Authority member	Number of meetings 2019/20	Meetings attended
Sally Cheshire (Chair)	6	6
Kate Brian	6	6
Anthony Rutherford	6	6
Yacoub Khalaf	6	6
Margaret Gilmore	6	6
Anita Bharucha	6	6
Anne Lampe	6	4
Ruth Wilde	6	6
Bobbie Farsides[11]	4	3
Professor Jonathan Herring	6	6
Rachel Cutting[12]	3	3
Professor Gudrun Moore	6	6
Professor Emma Cave	6	6
Rev Ermal Kirby	6	5

[11] Bobbie Farsides term ended 21 November 2019
[12] Rachel Cutting resigned as a Member 10 November 2019

The Authority meets 6 times a year and these meetings are open to the public and an audio recording of the meetings are on our website. The Authority has also held a number of workshops before its public meetings, which are used to discuss future strategy and other policy matters.

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

Statutory and standing committees

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

Committee	Membership at 31 March 2020	Number of meetings 2019/20	Attendance rate
Appointments Committee	3	0	N/a
Audit and Governance Committee	4	4	83%
Executive Licensing Panel	3	12	100%
Licence Committee	5	6	93%

Committee	Membership at 31 March 2020	Number of meetings 2019/20	Attendance rate
Register Research Panel[13]	8	3	83%
Remuneration Committee	3	2	100%
Statutory Approvals Committee	5	12	85%
Scientific and Clinical Advances Advisory Committee	5	3	100%

The Executive

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

The SMT are:

Peter Thompson	Chief Executive
Richard Sydee	Director of Finance and Resources (shared with the HTA)
Rachel Cutting (appointed 11 November 2019)	Director of Compliance and Information
Clare Ettinghausen	Director of Strategy and Corporate Affairs

[13] Membership increased to eight in July 2019. At the last meeting in December only five were in attendance.

The Director of Finance and Resources (and the Head of Finance) are shared with the HTA, an arrangement that has been successfully in place for over 6 years. Work streamlining policies and building resilience across both finance teams is on-going in anticipation of the impending office re-location in late 2020. The co-location is with the HTA, HRA, NICE and CQC.

The post of Director of Compliance and Information was successfully filled in November. Prior to this new Director's appointment, strategic oversight was covered by the Chief Executive, with day-to-day responsibilities shared between the Chief Inspector and Chief Information Officer.

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

The Executive's Programme Board oversees individual projects and ensures that suitable controls are in place. Risk assessment and management are substantial aspects of this oversight arrangement, with the project manager and sometimes also the project sponsor (usually a director) reporting to the Programme Board at regular intervals. In turn, the Programme Board reports to CMG every month, with a highlight report covering each live project. The HFEA's ongoing IT programme, PRISM, is overseen by a separate programme board, which meets fortnightly and is attended by the Chief Executive and Director of Compliance and Information.

Corporate governance

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

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

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

Effectiveness and performance

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

We look to improve and make more efficient the way in which we engage with significant matters of policy and operational delivery. One of the ways in which the Authority makes better use of its time is through 'workshop' sessions before full Authority meetings, where the Authority has the opportunity to delve into issues that have arisen or are on the horizon. This way of working makes more efficient and productive use of member and executive time and allows better informed decision-making.

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

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

Annual reviews of committee effectiveness

As is good practice, every year our committees undertake a review of their effectiveness. The feedback from committee members is used as a means of improvement against indicators within our framework. In general, the feedback from the committees was positive, with defensible, evidenced decisions being made on the basis of robust paperwork.

Highlights of Authority and committee reports

Key areas of business considered by the Authority, in addition to standing items over the reporting period such as performance reporting (including financial performance) and risk management, include:

- Development of the three year strategy and its themes which were centred around the following:
    - ‘the best care’ with the strategic aim that the patients, partners and donors receive high quality care, informed by evidence;
    - the right information – to ensure that people can access the right information at the right time and
    - being future ready – to ensure the HFEA is ready to respond to changes in law and society.
- Fertility trends – looking in depth at our data and how historic and emerging trends will require the HFEA to re-shape regulatory policy and processes;
- The upcoming relocation of the HFEA offices to 2 Redman Place in Stratford, East London, which could impact on staff and operational activity for a considerable part of the upcoming business year;
- The Authority considered Direct-to-consumer DNA testing and matching and its implications for donors and donor conceived people; treatment add-ons and its key aims and positive messaging to patients.

The Audit and Governance Committee continues to give the Authority assurance that financial and risk management systems are in place and of appropriate scrutiny to ensure adherence. The Committee continue to provide oversight of the PRISM project and the key issues that require resolution such as data migration and additional expertise required to assist in implementation. The Audit and Governance Committee continues to take a theme-based approach to its meetings, giving it a broad outlook over the organisation and its operations. It has exercised its delegated functions, including approval of this statement, on behalf of the Authority.

Our Licence Committee, Statutory Approvals Committee, and the Executive Licensing Panel have handled the core business of considering licence applications and issues, applications for embryo testing and applications for importing or exporting embryos, sperm and eggs. The levels of activity in these committees increased significantly over the year and we have reviewed the operational workings of the committees resulting in additional resources in committee administration.

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

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

Risk and capability

The Authority determines the risk appetite and sets the culture of risk management with HFEA with particular regard to new initiatives and emerging risks. The Authority has ultimate responsibility for risk management with the HFEA including major decisions affecting the HFEA's risk profile or exposure.

The Authority's attitude to, and management of, the risks it faces in carrying out its functions is robust but proportionate. Risks vary in their likelihood and impact, and the Authority's overall appetite to risk is 'low' (see also later section on risk appetite and tolerance).

The framework the HFEA has established to identify and manage risk is proportional to its small size and allows for reasonable controls to be in place, without adversely impacting on the successful delivery of objectives.

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

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

The Audit and Governance Committee consider the strategic risk register at each meeting and the full board (the Authority reviews it twice a year, the register itself is considered monthly by SMT who provide ongoing consideration of risks to delivering our strategy, including any major current operational risks. Directors, in conjunction with their teams are responsible for ensuring risks in their directorate are identified, assessed and captured in their own operational level risk registers, and the top risks are regularly shared at CMG risk meetings. This allows for the management of risk to be embedded in the organisation from the bottom up.

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

The resources available for our wider programme of work continues to be restrained by the wider public-sector constraints on growth. A notable decrease in our income is an added pressure on delivery. We maintain our expenditure in line with budgets agreed with the DHSC and our stakeholders. This also impacts on our ability to respond or address emerging issues within the sector we regulate.

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

Regulatory risk

We also take a risk-based approach to the way we regulate the fertility sector, in order to ensure that our regulatory action is targeted and proportionate. Our risk-based assessment tool allows such an approach and (like all other processes we use in carrying out our functions) is subject to a rigorous quality assurance regime, in line with the Macpherson review recommendations[14].

Risk assessment

The strategic risk register captures those risks with the potential to have a significant impact on the business and on whether we achieve the objectives set out in our strategy. Each risk is owned by a member of the senior management team (SMT). Risks are reviewed and reported on each month and included as a standing item on the SMT and AGC meeting agendas.

Other risks include legal challenges, and our staff capacity and capability. Our ongoing mitigating activities are managed and monitored through the systems described earlier. Our robust governance and decision-making arrangements mitigate against the controllable elements of the risk of legal challenge. Like all public-sector organisations, we continue to face capacity and capability risks that we manage through good internal communications, staff engagement and our performance management process.

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

As at 31 March 2020 the HFEA risk register captured nine risks. Of these there were four risks considered high (i.e. with a score of 12 or more). Two of these risks relate to Board capability and Organisational capability, the loss in a short period of time of Authority members and HFEA staff and potential loss of knowledge that could impact delivery of our Strategy. The third relates to Regulatory effectiveness – an inability to translate data into quality. The delay experienced earlier in the year with the completion of PRISM affects this risk.

The fourth high risk concerns Financial viability. We rely on the submission of treatment cycles for over 80% of our income. The coronavirus pandemic has already had a significant impact on our income as clinics were mandated under GD00014 to cease treatments until it could be demonstrated they could be conducted safely. Although the majority of clinics have now re-opened, we expect them to carry out significantly fewer treatments this business year. This risk impacts on our ability to continue to operate (please refer to ‘going concern’ on page 12).

At the end of the year, we included a further risk which relates to the COVID-19 pandemic. There is a risk that we are unable to undertake our statutory functions and strategic delivery because of the impact of COVD-19. This risk is linked to our financial viability as mentioned above as well as impacting on staff across the business. Plans to reduce the impact of this risk are being developed and include but is not limited to deferment of inspections, business continuity plans activated, resource planning.

Information management and security

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

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

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

Whistleblowing arrangements

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

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

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

Counter Fraud

We have developed a Counter-fraud strategy as part of our drive to adhere to the Cabinet Office Functional Standards for Counter Fraud (GovS013). In addition, risk assessments are carried out bi-annually and an action plan has been developed to address areas of weakness identified. Key actions taken to date include mandatory training on fraud awareness for all staff and the constant sharing of information on potential fraud activities, particularly during the coronavirus pandemic which has seen fraud activity increase.

Internal incidents

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

Overall conclusion

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

- Risk management of capability risks;
- Corporate Governance;
- Annual Budgeting Process and
- Records Management.

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

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

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

Peter Thompson
Chief Executive
Accounting Officer **8 July 2020**

Remuneration report

Audit

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

Reward systems and approval mechanisms for staff

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

Pay awards were made to eligible staff in 2019/20 in accordance with the Government limit of 1% of the total pay-bill. This is the same as the previous year.

Pay levels are reviewed annually through the Remuneration Committee, which has specific responsibility to monitor overall levels of remuneration and to approve the remuneration of the Chief Executive and the directors (see below).

Performance appraisal

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

Duration of contracts, notice periods and termination payments

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

Termination payments are made only in appropriate circumstances. In cases where gross misconduct has occurred, no termination payments are made.

Authority members

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

No pension contributions or bonuses were paid on behalf of any Authority member in 2019/20.

Appeals Committee

The Appeals Committee Chair receives a fee of £269 per day. The Deputy Chair receives a fee of £208 per day and the committee's members receive a fee of £190 per day. No pension contributions were paid on behalf of any Appeals Committee member.

No payments were made to any members of the Appeal Committee in the year ended 31 March 2020

End of service

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

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

Health and safety

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

Trade Unions

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

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

Remuneration and benefits to Authority members for the year ending 31 March 2020 (Audited)

Name	Salary range £000s	Expenses (to nearest £100)[15] £	Total £000s	Salary range £000s	Expenses (to nearest £100)[16] £	Total £000s
	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
Sally Cheshire (Chair)	45-50	24,500	70-75	45-50	13,800	60-65
Kate Brian	5-10	0	5-10	5-10	100	5-10
Anthony Rutherford	5-10	3,400	10-15	5-10	0	5-10
Yacoub Khalaf	5-10	0	5-10	5-10	0	5-10
Margaret Gilmore	5-10	2,000	10-15	5-10	1,600	10-15
Anita Bharucha	10-15	2,100	15-20	10-15	900	10-15
Anne Lampe	5-10	4,200	10-15	5-10	2,400	10-15
Ruth Wilde	5-10	2,000	5-10	5-10	1,900	5-10
Bobbie Farsides	5-10	400	5-10	5-10	400	5-10
Rachel Cutting	0-5	2,700	5-10	5-10	900	5-10
John Herring	5-10	1,800	5-10	5-10	200	5-10
Gudrun Moore	5-10	0	5-10	5-10	0	5-10
Emma Cave	5-10	6,700	10-15	0-5	2,100	5-10
Ermal Kirby	5-10	0	5-10	N/a	N/a	N/a

[15] These expenses are shown gross
[16] These expenses are shown net of tax and national insurance

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by us and treated by HMRC as a taxable emolument. Previously we had an agreed a PAYE settlement agreement (PSA) with HMRC in regard to taxable emoluments of Authority members and some of our compliance staff, for the travel, accommodation, meals and subsistence for which we pay the tax and national insurance due. In 2019, the PSA was removed by HMRC. The taxable emoluments are now payrolled and the figures on the above table are the gross payments.

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

Chief Executive and directors

The Chief Executive's pay is set in accordance with the recommendation of the Chair, subject to the review of the Remuneration Committee and with the agreement of the DHSC. This is in accordance with the pay framework for very senior managers (VSM) in ALBs, informed by the Senior Staff Salaries Review Board.

Remuneration of the directors must be approved by the Remuneration Committee and is based on proposals received from the Chief Executive, in accordance with the VSM pay framework.

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

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

Name	Salary (£'000)		Bonus payments (£'000s)		Benefits in kind (to nearest £100)		Pension benefits[17] (£'000s)		Total (£'000s)	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Peter Thompson	140-145	140-145	5-10	0-5	0	0	47.5-50	45-47.5	195-200	185-190
Rachel Cutting (appointed 11 November 2019)	35-40 (Fte 90-95)	N/a	0	N/a	7,000	N/a	12.5-15	N/a	55-57.5	N/a
Richard Sydee	90-95	90-95	0	0	0	0	35-37.5	27.5-30[18]	130-135	120-125[18]
Clare Ettinghausen	90-95	90-95	0-5	0	0	0	32.5-35	35-37.5	130-135	125-130

[17] 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.

[18] Figures were recalculated by PCSPS due to update in service history

Median pay and multiples (Audited)

	2019/20	2018/19
Band of highest paid director's gross salary only	£140k-£145k	£140k-£145k
Median total remuneration	£38,592	£38,608
Ratio – gross salary only	3.69	3.69

The DHSC Group Accounting Manual (GAM) reporting requirements require public sector bodies to disclose the relationship between the total remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce including temporary and contract staff.

The banded remuneration of the highest-paid director in the financial year 2019/20 was £140k-£145k (2018/19 £140k-£145k). This was 3.69 times (2018/19, 3.69) the median remuneration of the workforce, which was £39k (2018/19 £39k). In 2019/20, 0 (2018/19, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged £25k to £140-145k.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. We are a London-based small expert organisation whose work requires scientific and other professional or graduate-level skills. Consequently, median pay remains higher than that for a number of other public-sector bodies.

Staff report (Audited)

The HFEA has a headcount of 66 staff members excluding Authority members and including the SMT as at 31 March 2020. Below is a breakdown of staff costs and an analysis of directly employed staff.[19]

	Permanently employed staff	Members	Temporary staff	2019/20 Total	2018/19 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Salaries and wages	2,844	150	591	3,585	3,525
Social security costs	302	12	0	314	295
Other pension costs	730	0	0	730	571
Net staff costs	**3,876**	**162**	**591**	**4,629**	**4,391**
Less recoveries in respect of outward secondments	(130)	0	0	(130)	(138)
Total Net Staff costs	**3,746**	**162**	**591**	**4,499**	**4,253**

[19] The figures in the table will differ to the financial statements due to rounding

Exit packages (Audited)

There were no exit packages paid in 2019/20, (nil 2018/19).

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

	Permanently employed	Seconded	2019/20 Total	2018/19 Total[20]
SCS[21]	3	0	3	4
Other	61	1	62	59
Total	64	1	65	63

Sickness and absences

Our sickness absence aim is to lose no more than 3% of time in staff sickness absence and in 2019/20 we achieved 1.7% (2018/19 0.7%). This compares favourably with the public-sector sickness absence rate average which is 2.6% (Office for National Statistics (ONS) 2017).

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

Off-payroll engagements longer than 6 months

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that lasted for longer than 6 months.

Number of existing engagements as of 31 March 2020	**2**
Of which…	
Have existed for less than 1 year at time of reporting	0
Have existed for between 1 and 2 years at time of reporting	0

[20] These numbers have been rounded.

[21] Includes the Shared Director

Have existed for between 2 and 3 years at time of reporting	1
Have existed for between 3 and 4 years at time of reporting	1
Have existed for 4 or more years at time of reporting	0

For all new off-payroll engagements, or those that reached six months duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months

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

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

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

Consultancy

Our expenditure on Consultancy is £224,994 and relates to legal and development consultancy costs incurred.

Remuneration and pension entitlements

The DHSC Group Accounting Manual (GAM) requires us to provide information on the remuneration and pension rights of the named individuals who are our most senior managers.

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

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

Name and position	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2020	Real increase in pension and related lump sum at age 65	CETV at 31 March 2019	CETV at 31 March 2020	Real increase in CETV as funded by HFEA	Employer's contribution to stakeholder pension
	Band	Band	Band				
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Peter Thompson Chief Executive	0	60-65	2.5-5	1105	1208	47	0
Richard Sydee Director of Finance and Resources	80-85	30-35	0-2.5	528[22]	573	18	0
Rachel Cutting Director of Compliance and Information (appointed 11 November 2019)	0	0-5	0-2.5	0	9	7	0
Clare Ettinghausen Director of Strategy and Corporate Affairs	0	0-5	0-2.5	27	51	16	0

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

Definitions

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

22 Figure amended due to retrospective update to service history

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

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

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

Civil Service Pensions

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

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

For 2019/20, employers’ contributions of £722,537 were payable to the PCSPS (2018/19 £557,354) at one of the four rates in the rage 26.6% to 30.3% of pensionable earnings, based on salary bands.

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

Employees can opt to open a partnership pension account, a stakeholder pension with employer contribution. Employers’ contributions of £7,040 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £322, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with ‘The occupational pension schemes (transfer values) (amendment) regulations 2008’ and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Peter Thompson

Peter Thompson
Chief Executive
Accounting Officer

8 July 2020

Parliamentary accountability and audit report

Accountability

Fees and charges (Audited)

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

	March 2019/20	March 2018/19
	£'000s	£'000s
Income from regulatory activity[23]	5,333	5,363
Costs allocated to regulatory activity	(5,520)	(5,486)
Surplus/(Deficit)	**(187)**	**(123)**

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

Licence fee income is derived from a fixed fee charged on the number of treatment cycles that are undertaken across the sector in the financial year. In some years it has proven difficult to predict the number of cycles accurately and this was true in the years 2019/20 and 2018/19. Our forecasting model developed in 2017 continues to be used to aid income prediction.

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

Losses and special payments (Audited)

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for health service or passed legislation. By their nature they are items that should not arise and are therefore subject to special controls. The HFEA had no losses or special payments in 2019/20.

Remote contingent liabilities (Audited)

There are no remote contingent liabilities this year.

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

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

Opinion on financial statements

I certify that I have audited the financial statements of the Human Fertilisation and Embryology Authority ("the Authority") for the year ended 31 March 2020 under the Human Fertilisation and Embryology Act 1990. The financial statements comprise: The Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Authority's affairs as at 31 March 2020 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Human Fertilisation and Embryology Act 1990 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which ISAs (UK) require me to report to you where:

- the Authority's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authority have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Authority and Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Human Fertilisation and Embryology Act 1990;
- in the light of the knowledge and understanding of the Human Fertilisation and Embryology Act 1990 and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 9 July 2020**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Statement of comprehensive net expenditure for the year ended 31 March 2020

	NOTE	**2019/20** £	2018/19 £
Income			
Revenue from contracts with customers	4	5,230,286	5,348,475
Other operating income	4	218,103	137,650
		5,448,389	5,486,125
Expenditure			
Staff costs	3	4,629,359	4,391,125
Purchase of goods and services	3	188,823	314,101
Depreciation, amortisation and expected credit loss charges	3	320,821	343,847
Other operating expenditure	3	1,623,681	1,656,840
		6,762,684	6,705,913
Net operating expenditure		**(1,314,295)**	(1,219,788)
Finance income	4	14,336	14,690
Net expenditure for the year		**(1,299,959)**	(1,205,098)
Taxation		(2,724)	(2,791)
Net comprehensive (expenditure) for the year		**(1,302,683)**	(1,207,889)

The notes 1 to 14 form part of these accounts.

Statement of financial position As at 31 March 2020

	NOTE	**31 March 2020**	31 March 2019
		£	£
Non-current assets:			
Property, information technology and office equipment	5	**33,285**	30,570
Intangible assets	6	**1,247,791**	1,515,284
Other non-current asset	8	**17,000**	0
Total non-current assets		**1,298,076**	1,545,854
Current assets:			
Contract and other receivables	8	**1,053,821**	898,755
Cash and cash equivalents	9	**2,463,372**	2,661,299
Total current assets		**3,517,193**	3,560,054
Total assets		**4,815,269**	5,105,908
Current liabilities			
Contract and other payables	10	**(458,359)**	(524,515)
Total current liabilities		**(458,359)**	(524,515)
Non-current assets less net current liabilities		**4,356,910**	4,581,393
Non-current liabilities			
Total assets less liabilities		**4,356,910**	4,581,393
FINANCED BY:			
Taxpayers' equity			
I&E reserve		**(4,356,910)**	(4,581,393)
Total taxpayers' equity:		**(4,356,910)**	(4,581,393)

The notes 1 to 14 form part of these accounts.

The financial statements on pages 46 to 49 were approved by the board on 23 June 2020 and signed on its behalf by:

Peter Thompson
Chief Executive

Date: 8 July 2020

Statement of cash flows for the year ended 31 March 2020

	NOTE	2019/20 £	2018/19 £
Cash flows from operating activities			
Net operating surplus/(deficit) after interest		**(1,299,959)**	(1,205,098)
Depreciation and amortisation	3	**288,515**	272,709
(Increase)/decrease in trade and other receivables	8	**(172,066)**	58,135
Increase/(decrease) in trade and other payables	10	**(66,156)**	(106,928)
Taxation		**(2,724)**	(2,791)
Use of provisions	11	**0**	(25,000)
Net cash inflow/(outflow) from operating activities		**(1,252,390)**	(1,008,973)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(23,737)**	(11,167)
Purchase of intangible assets	6	**0**	(479,915)
Net cash inflow/(outflow) from investing activities		**(23,737)**	(491,082)
Cash flows from financing activities			
Grants from sponsoring department		**1,078,200**	933,625
Net cash inflow/(outflow) from financing activities		**1,078,200**	933,625
Net financing		**(197,927)**	(566,430)
Net increase/(decrease) in cash and cash equivalents in the period	9	**(197,927)**	(566,430)
Cash and cash equivalents at the beginning of the period	9	**2,661,299**	3,227,729
Cash and cash equivalents at the end of the period		**2,463,372**	2,661,299

The notes 1 to 14 form part of these accounts.

Statement of changes in taxpayers' equity
For the year ended 31 March 2020

	Total I&E reserve
	£
Balance at 1 April 2018	4,855,657
Changes in taxpayers' equity for 2018/19	
Grant from Department of Health and Social Care	933,625
Comprehensive income/(expenditure) for the year	(1,207,889)
Balance at 31 March 2019	**4,581,393**
Changes in taxpayers' equity for the year ended 31 March 2020	
Grant from Department of Health and Social Care	1,078,200
Comprehensive income/(expenditure) for the year	(1,302,683)
Balance at 31 March 2020	**4,356,910**

The notes 1 to 14 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The 2019/20 HFEA accounts are prepared in a form directed by the Secretary of State for Health in 2014 Framework Agreement, in accordance with section six of the 1990 Act (as amended). The

accounts are prepared in accordance with the accounting and disclosure requirements given in DHSC Group Accounting Manual (GAM), 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 GAM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Accounting convention

These financial statements are prepared under the historical cost convention.

1.2 Accounting Policies and estimates

There are no voluntary changes to the accounting policies that have had an impact in these accounts. The Accounting policies below have been applied to the accounts for 2019/20.

1.3 Depreciation and amortisation

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

Expected useful lives are as follows:

Information technology	4 years
Office equipment	5 years
Furniture, fixtures and fittings	5 years

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

1.4 Non-current assets

Non-current assets include property, information technology, and office equipment together with intangible assets which relate to constructed software and software licenses. Only items, or groups of related items, costing £5,000 or more are capitalised. Those costing less are treated as revenue expenditure.

All property, plant and equipment and intangible assets held by the HFEA at 31 March 2020 are carried in the statement of financial position at depreciated (property, plant and equipment) or amortised (intangible assets) historical cost. The depreciated or amortised historical cost is used as a proxy for fair value, for the classes of assets listed below, since the useful life over which the asset class is depreciated or amortised is considered to be a realistic reflection of the consumption of that asset class.

1.5 Assets under Construction (Development expenditure)

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

1.6 Critical accounting judgements and key sources of estimation uncertainty

In the application of the HFEA accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

Accruals have been based upon information provided by staff throughout 2019/20 and at year end.

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

1.7 Impairments

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

An assessment of the HFEA's financial assets has resulted in the movement in the value of the impairment of receivables. In carrying out this assessment, account is taken of the sector, economic climate and trends. A default rating which is weighted is applied to aged debts over the periods of 35, 60 and 95 days. An impairment for expected credit loss of £32,306 was charged to the SoCNE.

1.8 Grant-in-aid

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

1.9 Operating income

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

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

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

1.10 Operating leases

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

IFRS 16 has been deferred till 1 April 2021 and changes the way leases are recognised, this will have a significant impact on our accounts as we have rental leases. (see note 1.14).

1.11 Pensions

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

1.12 Cash

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

1.13 Financial instruments

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

The HFEA's financial assets comprise cash at bank and in hand, contracts with customer debtors, balances with central Government bodies, and other debtors. The HFEA's financial liabilities comprise trade creditors and other creditors. The fair values of financial assets and liabilities are deemed to be their book values, unless there is appropriate cause to apply an alternative basis of valuation.

The HFEA has not entered into any transactions involving derivatives.

1.14 IFRSs, amendments and interpretations in issue but not yet effective

The Treasury FReM does not require the following standards and interpretations to be applied in 2019/20. The application of the standards as revised may have a material impact on the accounts in 2019/20, were they applied in that year.

IFRS 16 Leases replaces IAS 17 and is effective for the public sector from 1 April 2021. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on the balance sheet). The new standard requires recognition of most leases which last more than 12 months to be recognised on the balance sheet.

The HFEA has one operating lease see note 11, for the occupation of its premies at 10 Spring Gardens. This lease will come to an end in December 2020 when the HFEA re-locates. The lease expires in less than 12 months and will have no impact on the Statement of Financial Position. The new lease will have a material impact on the HFEA's accounts.

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. Operating expenditure

		Note	2019/20 £	2018/19 £
3.1	**Staff costs**			
	Permanently employed staff costs		**3,875,823**	3,623,734
	Members' allowances		**162,468**	151,816
	Agency and other temporary costs		**591,068**	615,575
		3(a)	**4,629,359**	4,391,125
3.2	**Purchase of goods and services**			
	Professional & administrative fees	(b)	**119,379**	259,715
	Auditors' remuneration and expenses	(c)	**69,444**	54,386
			188,823	314,101
3.3	**Depreciation and impairment charges**			
	Depreciation & amortisation	5,6	**288,515**	272,709
	Expected credit loss		**32,306**	71,138
			320,821	343,847
3.4	**Other operating expenses**			
	Rentals under operating leases		**383,056**	407,558
	Running costs		**912,207**	936,843
	Other staff costs		**328,418**	312,439
			1,623,681	1,656,840
	Total		**6,762,684**	6,705,913

Notes

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

c) Audit expenditure is as follows:

	2019/20 £	2018/19 £
External audit	29,500	28,000
Internal audit	39,944	26,386
	69,444	54,386

External audit expenditure is the accrued fee for the NAO for 12 months. The internal audit costs relate to audits carried out in 2019-20.

3a. Staff costs

	2019/20				2018/19
	Total	Permanently Employed Staff	Members	Temporary staff	Total
	£	£	£	£	£
Wages and salaries	**3,585,260**	2,844,264	149,928	591,068	3,525,151
Social security costs	**314,200**	301,660	12,540	0	294,609
Other pension costs	**729,899**	729,899	0	0	571,365
Staff costs	**4,629,359**	3,875,823	162,468	591,068	4,391,125
Less recoveries in respect of outward secondments	**(129,903)**	(129,903)	0	0	(137,650)
Total Net staff costs	**4,499,456**	3,745,920	162,468	591,068	4,253,475

As set out in note 1.11, further information in respect of Civil Service Pensions is provided in the remuneration report on pages 30 to 39.

Average number of staff employed

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

	Permanent staff	**Seconded staff**	**31 March 2020 Total**	31 March 2019 Total
SCS	3	0	3	4
Other	61	1	62	59
Total	64	1	65	63

Temporary staff costs of £512,926 are included within salaries and wages. Below are the actual number of temp staff utilised in the 2019/20 financial year. The average is 5 FTE.

	9	21

4. Income

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

Analysis of income

	2019/20	2018/19
	£	£
Revene from contracts		
Licence fee income	5,230,286	5,348,475
Other income-interest	14,336	14,690
Other operating income	218,103	137,650
Total income for the year	**5,462,725**	5,500,815

Other operating income includes income from seconded staff to the HTA (£130k), income from consultancy work with UAE Department of Health (£71k) and compensation from concluded court case (£17k).

5. Property, plant and equipment

	Information technology £	Office equipment £	Total £
Cost or valuation:			
At 1 April 2019	**152,925**	**14,229**	**167,154**
Additions purchased	23,737	0	**23,737**
At 31 March 2020	**176,662**	**14,229**	**190,891**
Depreciation			
At 1 April 2019	**128,955**	**7,629**	**136,584**
Charged during the year	19,171	1,851	**21,022**
At 31 March 2020	**148,126**	**9,480**	**157,606**
Carrying value at 31 March 2020	**28,536**	**4,749**	**33,285**
Carrying value at 31 March 2019	23,970	6,600	30,570
Asset financing:			
Owned	28,536	4,749	**33,285**
Total at 31 March 2020	**28,536**	**4,749**	**33,285**

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

6. Intangible assets

	Software licenses	Constructed software[1]	Asset under construction development expenditure	Total
	£	£	£	£
Cost or valuation:				
At 1 April 2019	**325,816**	**1,476,349**	**885,251**	**2,687,416**
At 31 March 2020	**325,816**	**1,476,349**	**885,251**	**2,687,416**
Depreciation				
At 1 April 2019	**245,707**	**926,425**	**0**	**1,172,132**
Charged during the year	23,082	244,411	0	267,493
At 31 March 2020	**268,789**	**1,170,836**	**0**	**1,439,625**
Carrying value at 31 March 2020	**57,027**	**305,513**	**885,251**	**1,247,791**
Carrying value at 31 March 2019	**80,109**	**549,924**	**885,251**	**1,515,284**
Asset financing:				
Owned	57,027	305,513	885,251	**1,247,791**
Total at 31 March 2020	**57,027**	**305,513**	**885,251**	**1,247,791**

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

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

7. Financial instruments

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

a) Liquidity risk

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

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

b) Credit risk

The HFEA receives most of its income from the clinics it regulates. It operates a robust debt management policy and, where necessary, provides for the risk of particular debts not being discharged by the relevant party.
The recent coronavirus pandemic is expected to impact on some clinics to meet their obligation to pay whilst their activities have been temporarlily halted. Therefore the HFEA is exposed to some credit risk during the period of time it will take clinics to get up to speed once restrictions are lifted.

c) Financial assets and liabilities

The only financial asset held at a variable rate was cash at bank of £2,463,372. As at 31 March 2020, none of the HFEA's financial liabilities were carried at a variable rate. The fair value of the financial assets and liabilities was equal to the book value.

8. Trade and other receivables

	31 March 2020	31 March 2019
	£	£
Amounts falling due within one year		
Trade receivables (contract with customers) current	482,627	357,313
Impairment for expected credit losses	(103,444)	(71,138)
Prepayments and accrued income	591,971	599,974
Other receivables	82,667	12,606
Total	1,053,821	898,755

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

Amounts falling due between one and three years		
Other receivables	17,000	0

Other receivables include legal costs awarded from concluded court case. This is due between 1 and 3 years

9. Cash and cash equivalents

	31 March 2020
	£
Balance at 31 March 2019	2,661,299
Net change in cash	(197,927)
Balance at 31 March 2020	**2,463,372**

	31 March 2020
Bank account balances	**£**
Government Banking Services	2,018,225
Commercial Banks	445,147
	2,463,372

No cash equivalents were held during the year.

10. Trade payables and other current liabilities

	31 March 2020 £	31 March 2019 £
Analysis by type		
Trade Payables	117,941	166,314
Accruals and deferred income	337,779	346,713
Other taxation and social security	523	1,137
Other contract liabilities	2,116	10,351
Total	**458,359**	524,515

11. Commitments under leases

Operating leases

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

Obligations under operating leases for the following periods are:

	31 March 2020 £	**31 March 2019 £**
Buildings		
Not later than one year	287,510	372,280
Later than one year not later than five years	0	278,460
	287,510	650,740
Other		
Not later than one year	4,045	5,393
Later than one year not later than five years	0	4,045
	4,045	9,438
	291,555	660,178

12. Contingent liabilities

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

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

13. Related party transactions

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

During the period the HFEA received £1,078,200 (2018/19 £934,000) from the DHSC in relation to operational grant-in-aid and £100,000 (2018/19 £500,000) cover for capital expenditure for our capital refresh programme. At the 31 March 2020 the HFEA had drawn down all of its revenue cash allocation.

The DHSC invoiced the HFEA £35,672 in addition, we have accrued £8,264 in respect of internal audit work, contribution to talent scheme for the 2019/20 business year.

b) The National Institute for Health and Care Excellence (NICE) is regarded as a related party.

The NICE invoiced the HFEA £399,735 in relation to rent, rates and other facility costs.

c) The Human Tissue Authority (HTA) is regarded as a related party. During the period the HFEA had transactions with the HTA to the value of £113,859.

14. Events after the reporting period

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

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