

*Human
Fertilisation
and
Embryology
Authority*

Accounts 1998/99

Financial Report 1998/99

FOREWORD

BACKGROUND

The Human Fertilisation and Embryology Authority (HFEA) formally came into being on 7 November 1990 and began operating on 1st August 1991. The HFEA was created by the Human Fertilisation and Embryology Act 1990 to license and regulate human embryo research and specified forms of infertility treatment.

The HFEA is an executive Non-Departmental Public Body sponsored by the Department of Health.

Statutory Remit

One of the main statutory functions of the HFEA is to regulate, by means of a licensing system, centres undertaking infertility treatments involving the creation or use of human embryos outside the body, the storage or donation of embryos or gametes or research involving human embryos.

The HFEA is also required to maintain a register of information about all licensed treatments performed in the United Kingdom. This contains information about those receiving treatment, donors of gametes and embryos and any children born as a result of such treatments. At the age of 18 (or 16 if wishing to marry), people may enquire as to whether information held on the register shows that they were born as a result of this treatment, and, if so, whether they are related to a prospective spouse.

In addition, the HFEA has other statutory responsibilities including:

- publicising the services provided by it and by the centres it licenses;
- publishing a Code of Practice giving guidance to centres on how they should carry out licensed activities;

- giving information and advice to donors, to people seeking treatment or storage or to people considering such action; and
- keeping the field under review and providing advice to the Secretary of State for Health, if so requested.

PRINCIPAL ACTIVITIES

Licensing:

Below is a summary of the licensing activities undertaken from 1 April 1998 to 31 March 1999:

	1999	1998
No. of licensed centres at 31 March	119	114
No. of inspection visits during year	106	103
No. of Licence Committee meetings	32	38
No. of items considered	315	274
No. of licences issued (Treatment & Storage)	92	110
No. of licences issued (Storage)	6	6
No. of licences issued (Research)	16	17

The three year licensing programme of full and focused inspections, introduced last year, has continued.

The HFEA's Systems and Data Audit five year programme, commenced in October 1996, completed its second year. At 31 March 1999, 49 audits had been carried out. The programme has been established to ensure that centres and the HFEA are complying with their statutory obligations.

Information:

The HFEA collects data from all licensed centres about IVF and donor insemination treatments, their outcomes and about every donor. The HFEA published an interim Patients' Guide for 1998 giving the outcome data

for individual clinics.

In order to ensure the long term accuracy of the data, to maintain relevance of data collected and to keep pace with the growing size of the register, the HFEA continues to work on the redevelopment of its database programs.

Policy:

During the year the HFEA produced reports on a number of important issues. A report was issued jointly with the Human Genetic Advisory Commission on cloning in December 1998. Following a consultation exercise on the issue of payments to donors, it was decided to maintain payments to donors and to produce strict guidelines on egg sharing. A consultation document on cryopreservation of sperm and embryos was issued in June 1998 and responses received are currently being considered. In addition, the fourth edition of the Code of Practice was published in July 1998.

FINANCIAL REPORT

Overall Results

The operating deficit for the year amounted to £144,409.

Performance against key financial targets

1. Expenditure

The HFEA must ensure that its cash expenditure remains within the budget set by the Department of Health. In the year 1998/9 the actual cash expenditure was £1,553,289 which was 99.7% of the allocated budget of £1,558,600. The HFEA is committed to carrying out its duties to the highest

standards whilst ensuring the costs of its work are kept to a minimum. Expenditure is constantly monitored and ways of reducing costs are continually being considered and, wherever possible, introduced.

2. Licence Fees

With effect from 1 April 1998 licence fee income has been reclassified by the Treasury as appropriations in aid.

Licence fee income is no longer required to be surrendered to the Consolidated Fund but is retained by the Department of Health to offset the cost of the HFEA to the Exchequer. The HFEA's financial objective for the period 1998/99 to 2000/01 is to raise 70% of its cash expenditure through the collection of licence fees. The amount raised in cash from licence fees in 1998/99 was £1,426,804 which was 92% of the cash expenditure.

The fee structure is made up of an initial and an additional fee. Each centre is required to pay an initial fee on application. This fee remains at £100 for a research or storage licence and £250 for a treatment licence. The additional fee is payable on acceptance of the terms and conditions attached to a treatment licence.

The level of additional fees was last changed on 1 September 1994. When each centre applies to have its licence renewed, the total number of cycles held on the HFEA's register carried out after 1 September 1994 is identified and IVF cycles are charged at £40. Similarly, DI cycles carried out after 1 September 1994 are charged at £10 per cycle. From this total is subtracted the additional fees previously invoiced to give the current additional fee. Those IVF cycles that are abandoned prior to eggs being mixed with sperm or embryo thawing are not included in the calculation.

Payment of Creditors

The HFEA has adopted the Treasury's guidance on prompt payment and

works to ensure that all invoices which are not in dispute are paid within 30 days. In 1998/99 the HFEA paid 88% of non-disputed invoices within 30 days (1997-98 100%) and 99% within 60 days.

Charitable Donations

There have been no charitable donations.

Equal Opportunities

The HFEA is an equal opportunities employer with a policy of providing equality of opportunity for all staff members and job applicants. The HFEA does not discriminate against anyone on the grounds of age, race, colour, ethnic or national origin, gender, marital status, responsibility for children or dependants, disability, sexual orientation or religious or political beliefs.

Consultation with Employees

The HFEA's policy is to involve staff and to consult them on relevant matters such as health, safety and welfare. Issues which may be of interest or concern are discussed with staff at regular staff meetings. In 1998/99 the Staff Manual was completely revised and issued to staff.

Year 2000 Compliance

Most of the HFEA's programme to address the impact of the Year 2000 on the business of the Authority was completed in 1998/99. Some minor additional work will be completed at the beginning of 1999/2000.

It is not possible for the HFEA to guarantee that no Year 2000 problems will remain, as the operation of the HFEA depends to some degree on other parties. However, the HFEA believes it will have adequate procedures in place to minimise the risks caused by system failure in the year 2000. The costs of implementing the action plan have been absorbed into the recurring activities of the

departments involved. No further costs are anticipated in 1999/2000.

HFEA Membership

The HFEA full complement is a Chairman, Deputy Chairman and nineteen members. Members who have served the HFEA for some period of the year 1998/9 are listed in Annex A.

FUTURE DEVELOPMENTS

In addition to the recurring work involved in licensing, policy, information and communications, the following issues have high priority for the financial year 1999/2000

- To implement a more risk based, cost effective licensing system, and to achieve greater consistency in licensing decisions and more rigorous inspections
- To complete the redevelopment of the data register
- To implement the new system for the collection of licence fee income
- To publish a redesigned Patients' Guide and other HFEA literature
- To ensure all work has been completed for Year 2000 compliance
- To develop the HFEA's policy on follow up studies
- To publish a consultation document jointly with the Advisory Committee on Genetic Testing on pre-implantation genetic diagnosis
- To agree guidelines on criminal investigations
- To implement the following performance measures
 - Percentage of licence applications dealt with within target timescale
 - Percentage of requests for HFEA publications responded to within 3 days
 - Data entry unit costs per record processed
 - Percentage of creditors paid and

debtors recovered within target timescales

The HFEA will continue to strive for the highest possible standards while also giving close attention to the need to provide best value for money.

Signed: Suzanne McCarthy

Position: Chief Executive

Date: 1 July 1999

ANNEX A

Membership of the Human Fertilisation and Embryology Authority 1998/99

Mrs Ruth Deech (Chairman)
 Mrs Jane Denton (Deputy Chairman)
 Professor Brenda Almond
 Dr Gulam Bahadur
 Professor David Barlow
 Professor Ruth Chambers*
 Mrs Moira Coath
 Ms Liz Forgan*
 Professor Christine Gosden
 Mr David Greggains*
 Professor Andrew Grubb
 Professor Martin Johnson
 Mr Richard Jones*
 Professor Henry Leese
 Professor Stuart Lewis
 Dr Brian Lieberman
 Dr Anne McLaren
 Dr Sadia Muhammed
 Ms Sara Nathan
 Ms Sharmila Nebhrajani
 Rt Rev'd Dr Michael Nazir-Ali
 Dr Joan Stringer
 Professor Allan Templeton
 Professor the Reverend Canon Anthony Thiselton*
 Lady Julia Tugendhat
 Mr John Williams

*Retired in 1998/9

STATEMENT OF AUTHORITY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 6(1) of the Human Fertilisation and Embryology Act 1990 the Human Fertilisation and Embryology Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis, and must show a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Authority is required to:

- observe the accounts direction 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Authority will continue in operation.

The Accounting Officer of the Department of Health has designated the Chief Executive of the Human Fertilisation and Embryology Authority as the Accounting Officer for the Authority. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the

keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the HFEA.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget report which is reviewed by the Organisation and Finance Committee (OFC) and agreed by the Authority. In addition the OFC receives a biannual budget report;
- regular reviews by senior managers of monthly and biannual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance and
- clearly defined capital investment procedures.

The accountancy firm, KPMG, is the HFEA's internal auditor and operates to standards defined in the Government Internal Audit Manual.

The work of the internal auditor is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are approved by both the Authority's Audit Committee and by me. A report on internal audit activity in the HFEA is provided to the Audit Committee. The report includes an assessment of the adequacy and effectiveness of the body's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee, which oversees the work of the internal auditors, those HFEA executive managers who have responsibility for the development and maintenance of the financial control framework and comments made by the external auditors in their management letter and other reports.

Following the audit of the 1997–98 accounts by the NAO and an internal audit report by KPMG in 1998–99, a number of weaknesses in controls were identified as follows:

- the need for an inventory of fixed assets to be drawn up;
- inaccuracies in licence fee invoices;
- insufficient controls over personnel data and expense claim authorisation; and
- insufficient control over the issue of rail tickets.

The HFEA has taken the following action in 1998/99 to address the above weaknesses:

- an inventory has been drawn up of all assets held by the HFEA;
- the invoicing system has been computerised to eliminate calculation errors and invoices are independently checked for typing errors;
- controls concerning authorisation of claims and personnel data have been enforced; and

- new procedures have been introduced for the control of rail tickets.

Formal procedures for Finance and Audit have been drawn up and are incorporated in the staff manual reissued in December 1998. The HFEA regularly reviews and updates these procedures to improve and strengthen its system of internal controls.

Signed: Suzanne McCarthy

Position: Chief Executive

Date: 1 July 1999

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

I certify that I have audited the financial statements on pages 53 to 61 under Section 6(4) of the Human Fertilisation and Embryology Act 1990. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 56.

Respective responsibilities of the Authority, the Chief Executive and the Auditor

As described on page 50 the Authority and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Authority and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing

Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Human Fertilisation and Embryology Act 1990 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 50 reflects the Authority's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Human Fertilisation and Embryology Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Human Fertilisation and Embryology Authority at 31 March 1999 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in

accordance with Section 6(2) of the Human Fertilisation and Embryology Act 1990 and directions made thereunder by Treasury; and

- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
Date: 7 July 1999
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	£	1997/98 Restated £
Gross Income	2	1,370,550	1,186,373
Transfer from deferred government grant	10	37,950	38,540
		1,408,500	1,224,913
Expenditure			
- Staff costs	3	848,288	757,901
- Other operating charges	4	662,176	591,123
- Depreciation and revaluation of computer equipment	5	42,445	40,831
Total expenditure		1,552,909	1,389,855
Operating (deficit)	6	(144,409)	(164,942)
- Notional interest (capital charges)	1	(25,800)	(25,000)
(Deficit) on ordinary activities		(170,209)	(189,942)
- Write back of notional interest		25,800	25,000
- Write back of notional superannuation		78,400	68,865
(Deficit) for the financial year		(66,009)	(96,077)
Retained surplus brought forward		315,457	411,534
Retained surplus carried forward		249,448	315,457

All operations are continuing.

The notes on pages 56 to 61 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1999

	Notes	£	1997/98 Restated £
Deficit for financial year		(66,009)	(96,077)
Revaluation of fixed assets	5	228	145
Total recognised losses for the year		(65,781)	(95,932)

The notes on pages 56 to 61 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 1999

	Notes	£	£	31 March 1998 Restated £
Fixed Assets				
- Tangible Assets	5	159,363		112,421
Current Assets				
- Debtors: amounts falling due within one year	7	225,950		320,949
Amounts falling due after one year		-		28,411
- Cash at bank and in hand		58,794		37,725
Creditors				
Amounts falling due within one year	8	(21,775)		(62,601)
Net current assets		262,969		324,484
Total assets less current liabilities		422,332		436,905
Financed by:				
Accruals and Deferred Income				
- Deferred government grant	10	161,688		110,480
Capital and Reserves				
- Income and Expenditure account	10	249,448		315,457
- Revaluation Reserve	10	11,196		10,968
		422,332		436,905

The notes on pages 56 to 61 form part of these accounts

Suzanne McCarthy
Chief Executive

Date: 1 July 1999

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	£	£	1997/98 £
Operating Activities				
- Net cash inflow/(outflow)	19		21,069	(4,843)
Capital Expenditure				
- Purchase of tangible fixed assets	5	(89,158)		(40,424)
Net cash (outflow) from capital			(89,158)	(40,424)
Net cash (outflow) before financing			(68,089)	(45,267)
Financing				
- Receipts of Government Grants for fixed assets	11	25,600		25,600
- Transfer from revenue grant	11	63,558		14,824
- Net cash inflow from financing			89,158	40,424
Increase/(decrease) in cash	19		21,069	(4,843)

The notes on pages 56 to 61 form part of this account.

NOTES TO THE ACCOUNT

1. Accounting Policies

(a) Accounting Convention

The HFEA's accounts are prepared in accordance with the provisions of the Human Fertilisation and Embryology Act 1990 and an Accounts Determination issued by the Secretary of State for Health in May 1997 and amended by DAO 10/97 (reproduced as an appendix to these accounts).

These accounts are prepared, in accordance with applicable accounting standards, under the historical cost convention modified to allow for the revaluation of fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

(b) Tangible Fixed Assets

All tangible fixed assets over £1,000 are capitalised and some items are capitalised in groups where the individual cost of each item is £250 or more. Individual items not falling into either of these categories are charged to the Income and Expenditure Account in the year of purchase. Assets are revalued annually using the Central Statistical Office Index of Data Processing and Office Equipment for computers and office equipment and appropriate Health Services Prices indices for other assets. Downward revaluations of fixed assets are treated as permanent diminutions and are charged to Income and Expenditure.

(c) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life. Expected useful lives are as follows:

Computer equipment and software	3 years
Office equipment	4 years
Furniture, fixtures and fittings	4 years
Installations	10 years

Improvements to leasehold property included in installations are depreciated over the remainder of the lease term, if less than 10 years.

(d) Operating Leases

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

(e) Register of Information

Expenditure on development of the computer programme for the Register of Information is charged to the Income and Expenditure Account as it is incurred.

(f) Government Grants

Government grants receivable for revenue expenditure are credited to income in the

year to which they relate. Government grants receivable for capital expenditure are credited to a Deferred Government Grant Reserve and released to the Income and Expenditure Account in equal annual instalments over the expected useful lives of the relevant assets purchased.

(g) Notional Charges

In order to give full costs, a notional charge for superannuation has been charged in the Income and Expenditure Account amounting to £78,400. This notional charge is calculated as a percentage of basic salaries based on four salary bands.

In accordance with Treasury guidance, notional interest at 6% of the average capital employed has been charged in the Income and Expenditure Account amounting to £25,800.

(h) Prior Year Adjustment

The accounting policy on the treatment of superannuation receipts and expenses has been changed in 1998/99. Financial Reporting Standard 12, issued in September 1998, recommends that provisions are recognised only "when an entity has a present obligation

as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation". The accumulated provision for notional superannuation costs charged annually amounted in 1998/99 to £365,450. It was decided that this provision did not strictly comply with the conditions of FRS12, as it was not possible to provide a reliable estimate of future commitments, and that the accounting policy should therefore be changed accordingly.

Pension liabilities are charged to the Income and Expenditure Account in the year of account as in previous years. Transfer values received from other organisations and receipts from staff contributions to the Widow(er)'s Pension Scheme are now classified as current income after offsetting any transfer payments made during the year to other organisations. Comparative figures for 1997/98 have been restated to reflect this change in policy. See also note 9.

2. Gross Income

The gross income is made up of Government grants, made on a cash basis, which are partially offset by licence fee and other income which are recorded on an accruals basis.

Revenue Grant Received	1998/9 £	1997/98 £
Department of Health, Class XI, Vote 2	1,260,100	1,213,000
Scottish Office, Home and Health Dept., Class XIII, Vote 4,	153,300	137,800
Welsh Office Class XIV, Vote 4,	76,700	68,900
Department of Health and Social Services, Northern Ireland Class XV, Vote 1	42,900	38,600
	1,533,000	1,458,300
Less transfer for Deferred Government Grant	(63,558)	(14,824)
	1,469,442	1,443,476
Cash/accruals adjustment	(98,892)	(257,103)
Gross income reported in Income and Expenditure account	1,370,550	1,186,373
Analysis of income		
Recovered in licence fee income	1,334,770	1,340,823
Other income	9,938	5,974
Government revenue grant	25,842	(160,424)
	1,370,550	1,186,373

3. Staff Costs

	1998/9 £	1997/8 £
Remuneration of Authority Members		
Fees paid to members including Chairman	67,307	63,829
Social Security Costs	2,138	2,208
	<u>69,445</u>	<u>66,037</u>
	1998/9 £	1997/8 £
All Staff		
Salaries - HFEA Staff	561,994	510,110
Salaries - Seconded Staff	60,895	46,657
Social Security Costs	44,437	51,365
Superannuation Costs – Seconded Staff	8,911	8,096
Net Superannuation Costs – Executive Staff	13,458	8,597
Notional Superannuation Charge	78,400	68,865
Agency Staff	10,748	5,307
VAT Refund re prior year		(7,133)
	<u>778,843</u>	<u>691,864</u>

The average monthly number of staff employed, including secondees, during the year was as follows:

	1998/9 No.	1997/8 No.
Management	5	5
Administrative	26	24
	<u>31</u>	<u>29</u>
	1998/9	1997/8
Chairman		
Remuneration	8,210	8,210
Chief Executive		
Emoluments (excluding pension fund contributions):		
Salary	49,851	46,264
Bonus payments	750	350
Total	<u>50,601</u>	<u>46,614</u>
Pension contributions as an ordinary member of the Principal Civil Service Pension Scheme	8,911	8,096

Other higher paid employees

No other executive member of staff received remuneration of more than £40,000. The Chairman was the highest paid board member.

4. Other Operating Charges

	1998/99 £	1997/98 £
Operating Lease Payments		
Land and Buildings	110,659	110,339
Other Leases	8,740	13,274
Accommodation	100,312	125,420
Travel & Subsistence	91,163	86,900
Attendance Fees - Inspectors	19,020	22,784
Professional & Administrative Fees	76,273	23,657
Audit Fees	11,500	13,000
Register of Information	(14,177)	(3,762)
Stationery, Photocopying & Printing	58,252	83,387
Telephones & Postage	39,675	37,305
Training & Development	41,734	17,011
Recruitment & Advertising	14,804	36,477
Conferences & Meeting Expenses	16,720	15,168
Library & Reading Materials	9,030	9,405
Sundry Office Equipment	53,312	11,276
Miscellaneous	14,944	9,489
Provision for Doubtful Debts	10,215	(20,007)
Total	662,176	591,123

5. Tangible Fixed Assets as at 31 March 1999

	Computer Equipment £	Office Equipment £	Furniture & Fittings £	Installations £	Totals £
Cost as at 31 March 1998	135,270	20,692	104,314	92,110	352,386
Additions	32,745	24,839	3,901	27,674	89,159
Disposals	(37,547)	(747)	-	-	(38,294)
Revaluation	(13,926)	479	281	248	(12,918)
As at 31 March 1999	116,542	45,263	108,496	120,032	390,333
Depreciation as at 31 March 1998	102,115	17,848	94,040	25,962	239,965
Charge for the year	18,570	3,012	6,248	10,120	37,950
Disposals	(37,547)	(747)	-	-	(38,294)
Revaluation	(9,431)	410	279	91	(8,651)
As at 31 March 1999	73,707	20,523	100,567	36,173	230,970
Net Book Value (NBV)					
At 31 March 1999	42,835	24,740	7,929	83,859	159,363
At 31 March 1998	33,155	2,844	10,274	66,148	112,421
Increase (Decrease) in NBV	9,680	21,896	(2,345)	17,711	46,942

6. Operating Surplus

The activities of the Authority have contributed to the operating surplus as follows:

	Licensing 1998/99	1997/98 Restated	Others 1998/99	1997/98 Restated	Total 1998/99	1997/98 Restated
	£	£	£	£	£	£
Income						
Government revenue grant (net)	-	-	25,842	(160,424)	25,842	(160,424)
Licence fees	1,334,770	1,340,823	-	-	1,334,770	1,340,823
Other	-	-	9,938	5,974	9,938	5,974
Transfer from deferred government grant	18,975	19,270	18,975	19,270	37,950	38,540
Total	1,353,745	1,360,093	54,755	(135,180)	1,408,500	1,224,913
Expenditure						
Staff Costs	(496,742)	(435,135)	(351,546)	(322,766)	(848,288)	(757,901)
Depreciation & revaluation of computer equipment	(21,223)	(20,415)	(21,222)	(20,416)	(42,445)	(40,831)
Other Charges	(414,248)	(361,964)	(247,928)	(229,159)	(662,176)	(591,123)
Total	(932,213)	(817,514)	(620,696)	(572,341)	(1,552,909)	(1,389,855)
Operating (Deficit)/Surplus	421,532	542,579	(565,941)	(707,521)	(144,409)	(164,942)

The above information is given to satisfy the disclosures required by HM Treasury Fees and Charges Guide not those required by Statement of Standard Accounting Practice No 25 (SSAP 25), 'Segmental Reporting'.

Statutory activities classified as 'other' include maintaining the Register of Information, publishing a Code of Practice, publicising the Authority's services, giving advice and reviewing the field of human fertilisation and embryology.

7. Debtors

	31 March 1998	31 March 1998 Restated
	£	£
Debtors (Licence Fees)	126,109	76,946
Other Debtors	14,951	12,191
Pre-payments & accrued income	84,890	260,223
	225,950	349,360

8. Creditors: Amounts falling due within one year

	31 March 1999	31 March 1998 Restated
	£	£
Trade Creditors	1,515	-
Other Taxes and Social Security	91	2,344
Accruals	20,169	60,257
	21,775	62,601

9. Pension Arrangements

Seconded staff belong to the Principal Civil Service Pension Scheme. For 1998/99, contributions of £8,911 (1997/98 £8,096) were made to the Paymaster General for seconded staff at rates determined from time to time by the Government Actuary and advised by the Treasury. The rates for 1998/99 for non-industrial staff in salary band 4 (£50,001 and over) is 18.5%.

For its own staff the HFEA operates its own pay-as-you-go scheme to provide retirement and related benefits based on individual final emoluments to all eligible employees. The scheme is non-contributory and is analagous to the Principal Civil Service Pension Scheme. The scheme is funded on a pay-as-you-go basis from Grant in Aid. Pension liabilities are charged to the Income and Expenditure Account in the year of account.

Members contribute 1.5% of annual salary to cover spouses' pensions. These contributions (1998/99 £8,133; 1997/98 £7,020) are classified as current income and any benefits paid are treated as current expenditure (1998/99 - £0, 1997/8 - £2,664).

Transfer values received from other organisations are also treated as current income. During the year receipts of £22,836 (1997/98 - £0) were offset against transfer payments to other organisations of £36,294 (1997/98 - £0).

This pension scheme has not been subject to an actuarial valuation.

See also note 1.

10. Deferred Government Grant, Capital and Reserves

	Deferred Government Grant £	Income and Expenditure £	Revaluation Reserve £
Balance at 31 March 1998	110,480	(29,048)	10,968
Prior year adjustment (Note 1)		344,505	
		315,457	
Movements in year:			
Revaluation of fixed assets	-		228
1998/99 capital grant	25,600		
Transfer from revenue grant	63,558		
Transfer to income and expenditure (Deficit) for the year	(37,950)	(66,009)	
Balance Carried Forward	161,688	249,448	11,196

11. Government Grants for Capital

	1998/99 £	1997/98 £
Department of Health		-
Class XI, Vote 2	25,600	25,600
Transfer from Revenue Grant	63,558	14,824
	89,158	40,424

12. Financial Commitments

The HFEA is committed to make the following operating lease payments during the next financial year.

	1998/99 £	1997/98 £
Land and buildings		
Leases which expire in over 5 years	110,450	110,450
Other leases		
Leases which expire within 1 years	807	
Leases which expire within 2 to 5 years	12,204	12,259

13. Capital Commitments

At the balance sheet date the Authority had no capital commitments.

14. Contingent Liabilities

The HFEA had no contingent liabilities at the balance sheet date.

15. Post Balance Sheet Events

There have been no post balance sheet events.

16. Material Losses

The HFEA had no material losses in the year 1998/99.

17. Related Party transactions

The Department of Health is regarded as a related party. During the year HFEA has had various material transactions with the Department. In addition, the HFEA has had a small number of material transactions with other government departments. None of the HFEA Members, key managerial staff or other related parties have undertaken any material transactions with the HFEA during the year.

18. Performance against key financial targets

The HFEA has two key financial targets.

- (a) The HFEA must ensure that its cash expenditure remains within the budget set by the Department of Health. In the year 1998/99, actual cash expenditure was £1,553,289 which was 99.7% of the allocated budget of £1,558,600.
- (b) The HFEA was also required to raise 70% of its cash expenditure from licence fees. The amount raised in cash from licence fees in 1998/99 was £1,426,804 which was 91.9% of the cash expenditure.

19. Notes to the Cash Flow Statement

	1998/99 £	1997/98 Restated £
1. Reconciliation of operating deficit to net cash inflow/(outflow) from operating activities:		
Operating (Deficit)	(144,409)	164,942
Notional Superannuation Charge	78,400	68,865
Depreciation Charges	42,445	40,831
Decrease in Debtors	123,409	218,956
(Decrease) in Creditors	(40,826)	(130,013)
Transfer from Deferred Government Grant	(37,950)	(38,540)
Net Cash Inflow/(Outflow) from Operating Activities	21,069	(4,843)
2. Analysis of Changes in cash		
	At 31 March 1998	At 31 March 1999
Cash at Bank and in Hand	37,725	58,794

APPENDIX TO THE ACCOUNTS

Accounts Determination

The Secretary of State, with the approval of the Treasury, in pursuance of section 6 of the Human Fertilisation and Embryology Act 1990, hereby gives the following determination:

Direction given by the Secretary of State

- 1 In this determination 'the Authority' means the Human Fertilisation and Embryology Authority.

Form of Accounts

- 2 The Authority shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising:
 - a. a foreword;
 - b. an income and expenditure account;
 - c. a balance sheet;
 - d. a cash flow statement; and
 - e. a statement of total recognised gains and losses;
 including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 3 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year
- 4 Subject to this requirement, the accounts shall be prepared in accordance with:
 - a. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. The disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury or the Secretary of State may issue from time to time in respect of accounts

- c. The accounting and disclosure requirements given in "Government Accounting" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time:

which are required to give a true and fair view;

insofar as these are appropriate to the Authority and are in force for the financial year for which the statement of accounts is to be prepared.

- 5 Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
- 6 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 This accounts determination supersedes that dated 26 April 1996 and shall be reproduced as an appendix to the accounts.

Date: 6 May 1997
Signed by the authority of the Secretary of State for Health

P. KENDALL
Branch Head (RMF-EAC Division)
Department of Health

SCHEDULE 1**Application of the Accounting and Disclosure requirements of the Companies Act and Accounting Standards****Companies Act**

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the Authority unless specifically authorised by the Secretary of State with the approval of the Treasury.
- 2 The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Authority shall be contained in the foreword.
- 3 When preparing its income and expenditure account, the Authority shall have regard to the profit and loss format 2 prescribed in Schedule 4 to the Companies Act 1985 (as amended).
- 4 When preparing its balance sheet, the Authority shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act 1985 (as amended). The balance sheet totals shall be struck at "Total assets less current liabilities".
- 5 The Authority is not required to provide the additional information required by paragraph 33 (3) of Schedule 4 to the Companies Act 1985.
- 6 The foreword and balance sheet shall be signed by the Chief Executive to the Authority and dated.

Accounting standards

- 7 The Authority is not required to include a note showing historical cost profits and losses as described in FRS3.
- 8 The Authority shall not adopt the Financial Reporting Standard for Smaller Entities unless specifically approved by the Treasury.

SCHEDULE 2**Additional Disclosure Requirements**

- 1 The foreword shall, *inter alia*:
 - a. State that the accounts have been prepared in a form determined by the Secretary of State with the approval of the Treasury in accordance with Section 6 of the Human Fertilisation and Embryology Act 1990;
 - b. include a brief history of the Authority and its statutory background.
- 2 The notes to the accounts shall, *inter alia*:
 - a. include details for the accounting policies adopted;
 - b. provide further explanations of figures in the accounts where it is considered appropriate for a proper understanding of the accounts;
 - c. include details of the key corporate financial targets set by Ministers together with the performance achieved.

