



Human  
Fertilisation &  
Embryology  
Authority

# Annual report and accounts 2022/23

# Human Fertilisation and Embryology Authority

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Annual report and accounts 2022/23

For the period 1 April 2022 to 31 March 2023

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

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## Contents

<b>Chief Executive's foreword</b>	<b>5</b>
<b>Performance Report</b>	<b>7</b>
<b>Overview</b>	<b>8</b>
<b>Performance analysis</b>	<b>16</b>
<b>Accountability Report</b>	<b>23</b>
<b>Corporate governance report</b>	<b>24</b>
<b>Remuneration and Staff report</b>	<b>36</b>
<b>Parliamentary accountability and audit report</b>	<b>48</b>
<b>Financial statements</b>	<b>56</b>

# Chief Executive's foreword

This has been another successful year for the HFEA and the assisted reproduction sector generally. Over the course of the 2022/23 business year, we have steered the sector back to a steady state after the disruption of Covid and find that activity has returned to pre pandemic norms. This is enormously reassuring and demonstrates the ongoing demand for access to assisted reproduction and the resilience across providers to return so quickly to normal activity levels

We began the year with an ambitious business plan, and I am pleased to say we have successfully delivered against our strategic aims. In terms of highlights from our core regulatory activity this year we have:

- Effectively managed licences for treatment and research despite a significant increase in activity caused by the decision to extend licences during Covid;
- Embedded the hybrid inspection methodology we developed during Covid. The new model uses both a desk-based approach and a focused on-site visit (as required by the Act) resulting in savings for both the HFEA and clinics. Feedback from clinics has been positive and the effectiveness of the new inspection process was audited by the Government Internal Audit Agency in April 2022 and received a 'substantial' assurance rating;
- Increased our focus on getting more direct patient input into our work through our new Patient Engagement Forum which is completing the final stages of the pilot and incorporating patient insights into other work such as data reports;
- Dealt with an increasing number of requests for access to our Register from donor conceived people (what we term Opening the Register requests);
- Approved 158 new conditions for embryo testing and continued to approve individual patient applications for mitochondrial donation from the Newcastle Centre for Life.

Over this year we have continued to publish high quality statistical and policy reports. We issued a detailed report on a National Patient Survey, looking at the Impact of Covid on Fertility Treatment. A separate publication provided information on trends in egg, sperm and embryo donation and we also published our annual state of the sector report. All of these reports had significant coverage in the national media and cement the HFEA data as the definitive source for journalists and researchers in our sector.

The new rules around the storage of gametes and embryos brought in by the passing of the Health and Care Act 2022 were welcomed by many, including ourselves. However, the late decision to change the Act, the complexity of the new regulations and very short implementation period did lead to an enormous amount of work to be ready for 1 July 2022. I want to take this opportunity to pay tribute to all involved in that work, whether HFEA staff, external experts who assisted us, or officials at the DHSC. The guidance we produced has helped clinics implement the changes and new consent forms ensure patients are consenting to the current legislation, but there is an outstanding issue about the way that posthumous use is drafted.

This year has seen the HFEA undertake significant work in preparation for the impact of legislation changes passed in 2005. That change, to remove donor anonymity, means that from late 2023 onwards, when the people born from donor treatment reach the age of 18, we can expect to see a significant increase in applications for identifying information held on our Register. This is not a new responsibility for us: we have been handling such applications for some years, but the change in the law brings a new challenge of scale. There are now over 4,000 births using donor gametes and embryos every year and the sensitivity of the information means that we cannot adopt administrative processes which undermine

the accuracy of the service we provide. This service, for which we have statutory responsibility, will become an increasing area of activity for the HFEA, one which we are preparing thoroughly for.

We also developed proposals for the modernisation of the HFE Act, establishing a Legislative Reform Advisory Group and issuing a consultation in February 2023. The consultation explores a number of proposals under four themes: patient safety and promoting good practice; access to donor information; consent; and scientific developments and innovation. The consultation generated considerable media interest with over 350 pieces of coverage including in 17 national media outlets.

Looking forward in to the 2023/24 business year, the last in our current strategy (October 2020 – March 2024), the overarching context for the year is a mix of ensuring that the outstanding key elements of the strategy are delivered combined with work to agree a new strategy for 2024-27. Priorities for next will include:

### **Modernising the Act**

We are currently analysing the many thousands of responses from our public consultation. Our Authority will need to consider these responses in detail before it reaches a view on its readiness to submit revised proposals to the Department to consider.

### **Public Bodies Review Programme**

The outcome of the Cabinet Office Public Bodies Review of the HFEA will complete mid-2023, and the recommendations may potentially influence some of our priorities for the next strategic period.

The work the HFEA does impacts not just on those that benefit from the assisted reproduction services we regulate, but also on society as a whole. We couldn't do that work without the effort and commitment of our dedicated staff and our Board.



Peter Thompson

**Chief Executive**  
Accounting Officer

# Performance Report

# Overview

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## Who we are

- The HFEA is the regulator of fertility treatment and human embryo research in the UK. Our role includes setting standards for clinics, licensing them, and providing a range of information for the public, particularly people seeking treatment, donor-conceived people, and donors.
- Our vision for 2020-2024 is:  
Regulating for excellence: shaping the future of fertility care and treatment
- We continue to put everyone who uses fertility services at the heart of everything we do - patients, partners, donors, donor-conceived people, and surrogates. We want them all to receive excellent care, support, and information.
- Their experiences differ, based on their individual circumstances. Our strategic focus will be on providing the best, most effective care for everyone, recognising the diverse family structures in which treatment and donation take place. We want to ensure people can access the right information at the right time. As science and society advance, we will shape and respond to future changes, helping ensure that the translation from innovative treatment to everyday care is ethical and responsible.
- As the regulator of fertility services and research involving human embryos, we aim to be effective and efficient, providing consistent oversight and advice to clinic staff and researchers.

During 2023 and early 2024 we will be developing our new strategy for 2024-2027.

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## 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
- license and inspect centres undertaking human embryo research
- license and inspect the storage of gametes (eggs and sperm) and embryos
- publish a Code of Practice, giving guidance to clinics and research establishments about the proper conduct of licensed activities
- keep a Register of information about donors, treatments and children born as a result of those treatments
- keep a register of licences granted
- keep a register of certain serious adverse events or reactions
- 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.

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## Delivery in 2022/23

### Overview

In 2022-2023, we made good progress with our strategic aims, despite the ongoing aftereffects of the pandemic. The key work we undertook in 2022-2023 against our strategic aims is set out below.

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## Delivery of the 2022-2023 business plan

### The best care

Following changes to our inspection methodology introduced during Covid, clinics were assessed using a hybrid approach involving a desk-based assessment (DBA) combined with an onsite visit to allow continued close regulatory oversight of the fertility sector. A risk-based approach was taken in prioritising inspections due this year with those deferred by the pandemic given priority.

Through our inspection activities, we have maintained our focus on quality and safety, focusing in particular on shortcomings in the taking and recording of consents, learning from incidents, medicines management, data submission, multiple birth rates, and the information clinics publish on their own websites.

We introduced a revised Compliance and Enforcement Policy in 2021, setting out the approach we will take in dealing with non-compliance by licensed clinics and research centres. This provides a consistent ongoing basis for making regulatory decisions about clinics.

In October 2022, we also published our State of the Fertility Sector report, providing an overview of the UK fertility sector in 2021/22.

In April 2022 we published the National Patient Survey report which revealed that 72% of patients were satisfied with their care and that further clarity over effectiveness of treatment add-ons and costs was needed.

We continued our earlier work on treatment add-ons, to improve the way in which these are provided and to encourage responsible supply of add-ons by clinics. The new add-ons rating system will be published in 2023. This project will conclude in the summer of 2023.

Although some of our planned work with researchers was delayed by earlier Covid restrictions, we maintained communication with the fertility research community and continued to be active members of the UK health data research alliance to encourage widespread and responsible access to data.

We also continued to work collaboratively where possible, maintaining our previously established relationships with other ALBs and health regulators e.g., to address issues that required joint working in an efficient and coordinated way, or to establish the best approach when new areas of regulatory overlap arise.

We engaged with patient groups, clinics, and other stakeholders to gain a greater understanding of the disparities in access, experience, and outcomes between ethnic groups, including those identified in our 'Ethnic Diversity in Fertility Treatment 2018' report (published March 2021). We continue to work through the actions identified in the March 2021 report, using the findings of the 2021 National patient survey and workshops with clinics to progress further activity in this area.

## The right information

We provided advice and information to patients about accessing treatment and donation via our website and ensure that the information we provide about treatments remained up to date. We implemented some technical updates to our website to ensure that it continues to work smoothly.

We also extended our use of social media to Instagram and have continued to use LinkedIn, Facebook, and Twitter in order to increase our reach to patients, since one of our priorities is to position and promote our information so that people find what they need when they need it.

We continued with the implementation of our PRISM system for clinics to submit data to the Register. The process to onboard clinics will be completed by the summer of 2023. We also began development work on our internal systems to restore connectivity with the new register after migrating our data across successfully. This work, once complete, will enable us to issue more regular updates to Choose a Fertility Clinic (CaFC), from the end of 2023 onwards.

We commenced a new pilot in 2022 of our Patient Engagement Forum, recruiting members of the public to sign up to one or more of three newly created groups. Along with this, we have also continued with our Professional Stakeholder meetings. These forums will continue to be utilised and reviewed in the summer of 2023.

We have put in place new governance structures to ensure that proposed changes to our register are properly evaluated. Our new Data review board will be active following the completion of the deployment of PRISM and the update to Choose a Fertility Clinic.

We also continued to engage with the Competition and Markets Authority and the Advertising Standards Authority.

We met the NHS Data Security and Protection Toolkit (DSPT) standards (self-submission) for 2021/22 in spring of 2022, and we are continuing to model our information governance and data protection and security practices around this. We have also implemented a new Information Governance Framework which sets out a strategic vision for improving data protection and security controls within the HFEA, and this is led by the Information Governance Steering Group established in 2023.

## Shaping the future

Much of our focus during 2022-23 was devoted to developing proposals for the modernisation of the Act. We issued a consultation in February for six weeks, generating considerable media interest and many thousands of responses. Any decision to revise the HFE Act is of course for the government, and we will be refining our recommendations for change during the first half of the 2023-24 business year.

We handled a significant number of Opening the Register requests, and following the pause to the service during Covid in 2021, we continue to look at the operational arrangements for this work to ensure that we are set up to deliver effectively when the law changes to donor anonymity are implemented in the autumn of 2023.

We continued to monitor areas of likely future developments, such as Artificial Intelligence (AI), which is a key consideration for our Scientific and clinical Advances Advisory Committee (SCAAC).

In September 2021, we welcomed the announcement that the Government planned to extend the storage limit for frozen eggs, sperm, and embryos, bringing the law in line with advances in science, changes in modern society and individuals' reproductive choices. This allowed patients more time to make important decisions about family planning. Following the commencement of this law in July 2022, we worked to ensure that the new rules are clear and that fertility clinics can both implement the changes effectively and give patients sufficient information so that they are fully informed about their options. The new Regulations have increased the statutory storage limits from the previous 10 years to a 10-year renewable storage period up to a maximum of 55 years. The transition period for this law ends in June 2024 after which all gametes in storage before 1 July 2022 must be stored with effective consent or be removed from storage.

During the year we also began early planning work to consider the way in which we authorise new processes proposed by clinics, and this work will be completed in 2023.

We welcomed several new members to the Authority in April and May 2022. We completed a programme of training and induction to ensure that those members who serve on our committees are well equipped to make governance and licensing decisions.

The Authority announced an increase in the IVF licence fee from 1 April 2022, the first such change since 2016. We plan a review of our licence fee model beginning in the 2023-24 business year.

We will continue to work with DHSC and others on implementing the relevant parts of the Government's Women's Health Strategy.

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## Risks as at 31 March 2023

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

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 and our assessment can be found in the governance statement.

Risk	Key risks and issues
<b>Operational</b>	<p>PRISM (the new online submission system) project has delayed the review and/or replacement of other wider systems.</p> <p>PRISM has improved the quality of the register, however due to the programme running for several years other systems across the HFEA have had to be delayed for review and replacement. This includes Epicentre (our licensing system) which is used across the organisation for inspection, licensing, and finance. Impact of PRISM has also caused delays in register functionality such as the ability to publish clinic data (CAFC – Choose a Fertility Clinic) and Opening the Register (OTR) reporting. <b>Risk level High</b></p>
<b>Information</b>	<p>There is a risk that the appetite for information does not match the resources/priority of our website capacity</p> <p>Information provision is a key part of our statutory duties and is fundamental to us being able to regulate effectively. We provide information to the public, patients, partners, donors, the donor conceived, their families and clinics alike. If we are not seen as relevant then we risk our information not being used, which in turn may affect the quality of care, outcomes, and options available to those involved in treatment.</p> <p>A new communications strategy is in place and progress is being made against it. There has been a big increase in media coverage of the HFEA which is helpful in promoting our website and the information within it. This has been matched by increases in social media activity. Our limited resource in this area currently impacts our ability to broaden our reach using our website. <b>Risk level Medium</b></p>
<b>Information – OTR</b>	<p>There is a risk that the OTR function becomes incapable of issuing accurate information at sufficient pace.</p> <p>The donor information service has been under review in readiness for the increased demand expected from 2023 onwards. This has involved a restructure of the team and reassessment of the tools available to the team for processing OTR applications (e.g., case management system). A member of the register team has trained to allow fluidity between the register and OTR service, however, there has been significant turnover in the team and a backlog remains.</p> <p>There is also a future risk that our reputation could be damaged by slow handling or inaccurate information being issued - we need to carefully consider our wider communications and handling when the demand begins to increase. <b>Risk level High</b></p>
<b>Positioning and influencing</b>	<p>There is a risk that we do not position ourselves effectively and so cannot influence and regulate optimally for current and future needs.</p> <p>This risk is about us being able to influence effectively to achieve our strategic aims. If we do not ensure we are well placed to do this, we may not be involved in key debates and developments, and our strategic impact may be limited.</p>

	<p>We have worked hard on positioning of the HFEA in recent years, and particularly worked closely with DHSC and with ALBs, professional and patient groups and others during the pandemic to re-position ourselves. Opportunities created by Act reform work to cement stakeholder relationships.</p> <p><b>Risk level Medium</b></p>
<b>Financial</b>	<p>There is a risk that the HFEA has insufficient financial resources to fund its regulatory activity and strategic aims.</p> <p>This risk considers the likelihood that treatment activity on which HFEA licence fees are charged may fall, or that we may see a reduction in the level of Grant in Aid funding we receive from our sponsor Department. Material reductions in activity, coupled with current inflationary pressures, could reduce the level of funding available for the HFEA's core activity. As c 60% of IVF treatment is privately funded there is a possibility that the current economic conditions could lead to reductions in billable cycles. <b>Risk level Medium</b></p>
<b>People</b>	<p>There is a risk that resources needed to carry out statutory work are not sufficient to manage the range of responsibilities.</p> <p>This risk currently is focused on staff turnover. Turnover in specific areas such as Opening the Register (OTR) and Licensing teams can create gaps where specific statutory functions cannot be easily met. <b>Risk level High</b></p>
<b>Security (Cyber security)</b>	<p>There is a risk that the HFEA is subject to a cyber-attack, resulting in data or sensitive information being compromised, or IT services being unavailable.</p> <p>Current overall threat levels remain high. The HFEA holds sensitive information on its register. The register (since 1991) holds data on patients, parents and donors undergoing licenced fertility treatment and includes details of their identity, treatment, and outcomes.</p> <p>We have appropriate mitigations in place for both cyber-attacks and the possibility of equipment losses or technical failures that could result in increased risks or loss of access. This is an ever-changing area, in which new threats emerge constantly, but we monitor for these and take actions where indicated. <b>Risk level Medium</b></p>
<b>Governance</b>	<p>There is a risk that the regulatory framework in which the HFEA operates is overtaken by developments and becomes not fit for purpose.</p> <p>The main risk is that the current legal regime is dated and means we cannot always act on areas where patients' have concerns and we are limited in the actions we can take.</p> <p>Our work on the Act may eventually mitigate this risk but is still in progress.</p> <p><b>Risk level Medium</b></p>

There have been two new risks added towards the end of the financial year which relate to:

- People risk - a change at senior staff level which impacts on staff responsibilities which will need to be shared. This risk is rated medium and has materialised since 31 March 2023. It is being managed through reallocation of responsibilities.
- Strategy risk – the public bodies review which commenced in March and is approaching the end of the initial evidence gathering stage. The work has required significant involvement of the senior management team to the detriment of other business plan priorities and wider organisational and

people priorities. At present it is unclear as to where the recommendations of the review are likely to focus. Beyond the review there are likely recommendations, as yet unknown, that will need to be implemented and which may pose further risks. This risk was rated high at the end of the 22/23 financial year and remains so.

Our existing risks with a 'high' rating cover the areas of information provision (register data), operations (PRISM project) and people (resources). Taking each risk in turn.

Information provision – a risk that the Opening of The Register (OTR) function becomes incapable of issuing accurate information at a sufficient pace. Our donor information service has been under review in readiness for the possible increase in demand expected from 2023 onwards. This has involved a restructure of the team and reassessment of the tools available to the team for processing OTR applications (e.g., case management system). Whilst staff have been trained to allow fluidity between the Register and the OTR service, the increase in staff turnover has created a backlog. The delay for donor conceived people and donors is a key risk. This could have potential reputational risks for the HFEA. This risk in conjunction with the issues around data and information security give it a high rating. This risk has been a keen focus of the AGC and continues to be monitored.

Operational risk – the PRISM project has delayed the review/replacement of other organisational wide systems. In particular the HFEA's CRM (licensing system) used for raising invoices to clinics based upon their submissions. There is a plan in place to replace this system, however the constraint around resources (staff and time) makes this challenging. The PRISM project due to its significance and reputational impact is currently a priority.

The final risk relating to people resources – where resources needed to carry out statutory work are not sufficient to manage the range of responsibilities. We recognise that turnover and/or long-term absence within specific areas of the business such as OTR and Compliance teams can create gaps where specific statutory functions cannot easily be met. As a small organisation, many of our teams have a single point of failure which can create operational pressures. We are mitigating this risk by ensuring that we are continuing to capture organisational knowledge through documentation, proper handovers, robust induction notes and an agile response to fulfilling any vacancies that arise. Where appropriate our Corporate Management Group would convene should key pieces of work need to be re-priorities.

In previous years we have also included legal risk. In November 2022, it was agreed to close this risk as in the past 10 years we have improved our governance processes across the organisation with a view to being more resilient to legal challenges – i.e., we are less likely to lose a case. Now this work has been done and integrated into our general ways of working.

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## Going concern

The going concern basis of accounting for the HFEA is adopted in consideration of the requirements as set out in the International Accounting Standards as interpreted by HM Treasury's Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in preparation of the financial statements, where it is anticipated that the services they provide will continue in the future.

The HFEA is funded by grant in aid provided by the Department for Health and Social Care who are funded through Parliament. Parliament has demonstrated its commitment to continue to fund the DHSC for the foreseeable future and the DHSC fund the HFEA through grant in aid in addition to funding from licence fees from both the private and public sector.

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 £85 or £37.50, respectively.



Our reserves are such that operations can be maintained for a period of 6 months. There is no expectation that our services will not continue or that the organisation is subject to any review that may result in the HFEA being abolished or subsumed.<sup>1</sup> 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.

Based on the above, the Board has reasonable expectation that it has adequate resources to continue in operational existence for a period of at least 12 months from the date the financial statements are authorised for issue. For this reason, the Authority and the Accounting Officer continue to adopt the going concern basis for preparing the financial statements.

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<sup>1</sup> During 2023 the HFEA is subject to a Public Bodies Review, the conclusions of which are not available at the time of publication of this annual report and accounts.

# Performance analysis

## Measuring performance

Each year, we agree a business plan with the Department for Health and Social Care (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 performance report is made to the Authority every two months and DHSC every quarter.

## Analysis of performance in 2022/23

Performance indicators (KPI)	Target 2022/23	KPI	Target 2021/22	KPI
<b>A: Compliance</b>				
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	<b>64 working days</b>	70 working days	64 working days
<b>B: Communication and information</b>				
Freedom of Information requests responded to within 20 working days.	100%	<b>50/50</b>	100%	8/8
Requests for contributions to Parliamentary questions (PQs) answered within DHSC deadlines.	100%	<b>100% (16/16 PQs within deadline)</b>	100%	100% (24/24 PQs within deadline)
<b>C: Corporate</b>				
Staff sickness absence rate (%)	No more than 2.5%	<b>2.3%<sup>2</sup></b>	No more than 2.5%	3.6%
Percentage turnover	5-15% range	<b>13.8%</b>	5-15% range	21.6%
Cash and bank balance at end of the year	Continue to move towards agreed minimum cash reserve of £1.52m	<b>£3.37m (decreased<sup>3</sup> from £3.69m in 21/22)</b>	Continue to move towards agreed minimum cash reserve of £1.52m	£3.69m (increased from £3.29m at the end of 20/21)
Percentage of invoices paid within 10 calendar days	70% paid within 10 days	<b>69%<sup>4</sup></b>	70% paid within 10 days	92%
Debts collected within 40 days (previously 60) calendar days	85%	<b>78%<sup>5</sup></b>	85%	85%

## Financial review

Our accounts consist of primary statements (providing summary information) about our income and expenditure in the year, our assets, and liabilities at the end of the year, and how we have managed our

<sup>2</sup> Increase due to two staff absent for over 10 days

<sup>3</sup> The decrease in the cash balance is due to delays within our credit control as a result of estimated bills being raised during the embedding of PRISM (online submission system).

<sup>4</sup> Target missed due to issues with approvals of BACS runs not completed in time.

<sup>5</sup> Delays in credit control due to reconciliations of clinic accounts taking longer than anticipated therefore impacting on this KPI



cashflows and detailed notes to these statements. These accounts have been prepared based on the standards set out in the Government Financial Reporting Manual (FRoM) issued by HM Treasury, which is adapted from International Financial Reporting Standards (IFRS), to give a true and fair view.

We are a non-departmental public body (NDPB) with the majority of funding coming through licence fees from clinics in the public and private sector (84%), the remaining funding is from the Department of Health and Social Care in the form of grant-in-aid.

### Summary position as at 31 March 2023

	2022/23	2021/22
	£'000s	£'000s
<b>Expenditure</b>		
Staff costs	5,198	4,820
General administrative costs	2,043	1,948
Total expenditure <sup>6</sup>	<b>7,241</b>	6,768
<b>Income</b>		
Revenue from contracts with customers	5,875	5,581
Other income	90	111
Total income <sup>7</sup>	<b>5,965</b>	5,692
<b>Net (expenditure) before interest and tax</b>	<b>(1,276)</b>	(1,076)

Our financial results are included in the accounts on pages 57 to 77 and shows the net operating expenditure before Finance Income (bank interest), Finance Expense (lease interest) and corporation tax.

The increase in net expenditure before interest and tax (18.5%) is partly driven by an increase in our staff costs (7.8%) and our legal expenditure (96.7%). Our staff cost increase is due to an increase in the number fixed term contract staff. Our legal spend has increased due to an increase in licence appeals and advice on policy issues.

The DHSC allocated grant-in-aid towards the financing of resource expenditure of £992,000, (2021/22 £1,356,000, including funding for the increase in employers pension contributions £100,000). Capital expenditure funding of £100,000 (2021/22: £100,000) was also allocated. We also received non-cash income allocation (Ring-fenced RDEL<sup>8</sup>) of £265,058 (2021/22 £515,777) 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 deficit of (£250,838), (2021/22 £279,611).

<sup>6</sup> This figure differs from the SoCNE due to rounding

<sup>7</sup> This does not include interest income

<sup>8</sup> Ring-fenced RDEL is Resource Departmental Expenditure Limit and comprises depreciation, amortisation and impairment. It is not cash, but cover provided by the DHSC against this type of expenditure.

	2022/23 <sup>9</sup>	2021/22 <sup>9</sup>
Net (expenditure) before interest and tax	(1,276)	(1,076)
Resource financing <sup>10</sup>	992	1,356
Finance Income	53	2
Finance Expense	(9)	0
<b>Net income/(expenditure)</b>	<b>(240)</b>	282
Taxation <sup>11</sup>	(10)	(3)
(Deficit)/Surplus for the year <sup>9</sup>	<b>(250)</b>	279

Non-staff costs have remained largely the same with the exception of our bad debt provision which has increased by 88%. This increase reflects the delay in issuing our invoices, the result of reconciling clinic IVF and DI volumes during the embedding of our online submission system (PRISM).

Our cash reserves have decreased by £321k (8.7%), (£399k, 12% 2021/22).

### Supplier payments

The HFEA is committed to the Better Payment Practice Code and its target of 95% of payments made within 30 days.

BPPC Target	2022/23	2021/22
95% of payments made within 30 days of receipt of undisputed invoice	1,057 invoices totalling £2,319,890 received of which 1,015 (96%) were paid within 30 days.	777 invoices totalling £1,790,678 received of which 776 (100%) were paid within 30 days.

### Organisational structure and establishment

Our staff complement is 77 (from 1 April 2023). We have in place shared services arrangements with other bodies where feasible. For example, we share part of our finance and resources team staffing with the Human Tissue Authority, and our facilities management service is shared with the four other Health ALBs with whom we occupy the same premises.

We need to ensure we retain the capability and capacity to deliver our overall strategy for 2020-2024.

We have a people strategy which sets out how we will ensure we attract and retain the capacity and skills we need in order to deliver our strategy. Our learning and development activities continue to equip our staff with the skills they need. Services are procured in accordance with continuing Government requirements to ensure value for money.

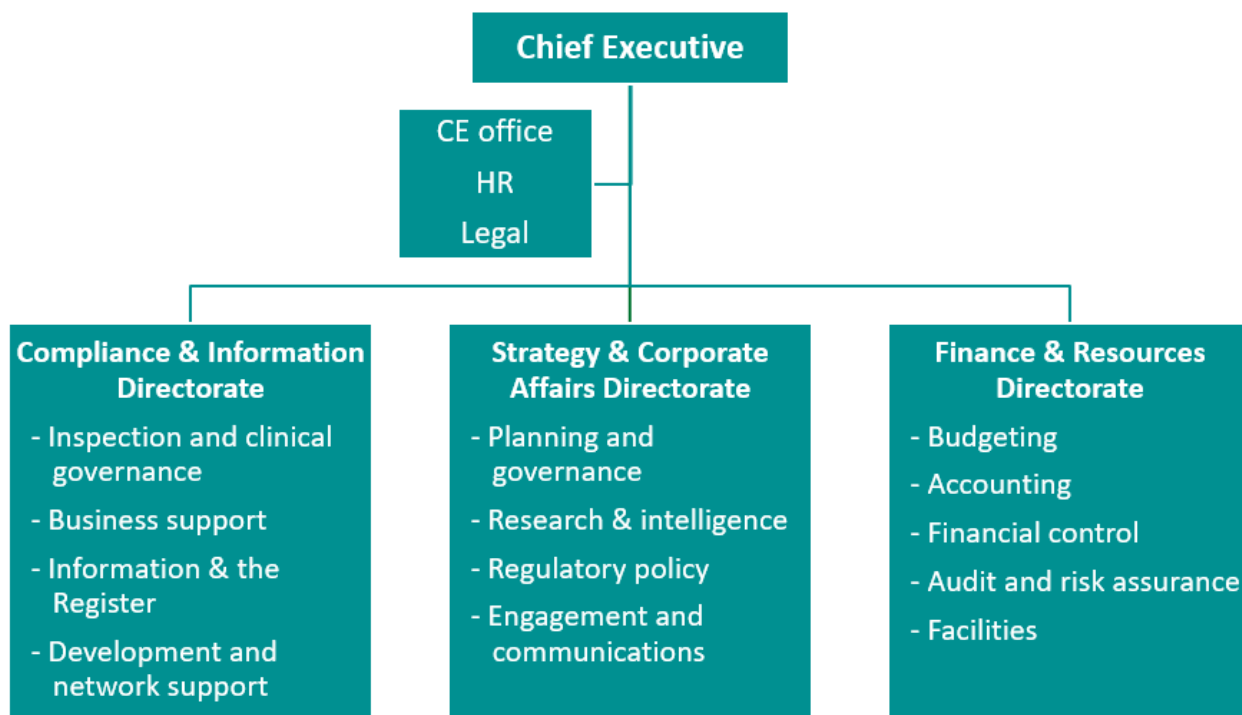
<sup>9</sup> Figures in these columns may vary to the accounts due to rounding

<sup>10</sup> 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.

<sup>11</sup> Taxation for 2022/23 is £10,049 for Corporation Tax.

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

Our current organisational structure is illustrated below.



## Our people objectives for 2020 – 2024

Our people objectives as set out below support us in the delivery of our business goals

- Attract and retain a diverse and high performing workforce
- Develop and support our people so that they can deliver to a high standard, fulfil their potential and work towards achieving their career aspirations
- Improve leadership capability
- Build a culture and healthy working environment that promotes collaboration and innovation
- Create an agile workforce that is able to support the delivery of our strategic goals.

## 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. We operate a blind recruitment process, ensuring that all identifying information is removed to enable objective decisions about candidate skills, experience, and suitability for a role, thus reducing the risk of bias. We have also become signatories in The Race at Work Charter which helps business improve their racial equality in the workplace.

## 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.

## Staff development

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

- Gifts and Hospitality
- Remote working
- Unconscious Bias
- Introduction to UK Equality Legislation
- Managing your personal stress

In addition, there are self-enrolment courses that staff can take which include but not limited to: Protecting your identity, Social Media Awareness, Bribery, and corruption. We also continue to provide 'lunch and learn' sessions for all staff to attend, and cover topics such as: use of survey monkey effectively; patient engagement forum; fertility trends and multiple births. In addition, areas on our intranet promote the use of webinars in particular during National Learning Week which includes webinars on:

- Introduction to Power BI
- Excel – Analysing Data with Pivot Tables

## 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, links to wellness resources, mental health first aiders or just tips for looking after oneself.

## Staff Survey

In September 2022, we conducted our annual staff survey. The response rate was 74% (2021/22 72%), compared to the sector average of 70%. Our engagement score i.e., the extent to which staff feel happy at work was 83% (2021/22, 80%) compared to the average for our public sector comparators of 75%. This is an improvement on last year. The positive result demonstrating that the work around staff wellbeing throughout the year has continued to resonate with staff.

## Disabled employees

We are a Disability Confident Committed Employer. There are 3 levels designed to support employers on their Disability Confident journey. We are at level 2 – Disability Confident Employer. The scheme helps employers recruit and retain great people and to:

- challenge attitudes and increase understanding of disability
- draw from the widest possible pool of talent
- secure high-quality staff who are skilled, loyal, and hardworking
- improve employee morale and commitment by demonstrating fair treatment.

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

The HFEA is committed to promoting equality and diversity and promoting a culture that actively values difference. We recognise that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way we work. We aim to be an inclusive organisation, where diversity is valued, respected, and built upon, with an ability to recruit and retain a diverse workforce that reflects the communities we serve.

We are also committed to compliance with relevant equality legislation, the Equality Act 2010, codes of practice and best practice guidance.

We aim to proactively tackle discrimination or disadvantage to ensure that no individual or group is directly or indirectly discriminated against for any reason with regard to employment or accessing our services.

As an employer committed to diversity and equality, we recognise our success depends on creating a working environment which supports the diverse make-up of our staff with supporting policies and procedures to create a framework of assistance. We have Equality Champions who undergo refresher training periodically.

Our gender breakdown at 31 March 2023, of Authority members, permanent and seconded staff, is as follows:

	Male	Female	Total
Board members	5	9	14
Senior Management Team (SMT)	2	2	4
All staff (including SMT, excluding Board Members)	14	66	80 <sup>12</sup>

## 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.

## Sustainability and environmental issues

The HFEA occupies a small area of the 2<sup>nd</sup> floor of a shared building in London. Our landlords provide services and encourage behaviour that meets sustainability requirements, this includes recycling, energy efficiency and other facilities.

All efforts to adapt our working environment to climate change are reliant on our landlord. Looking ahead, we intend to collaborate with the other tenants on our floor plate to gather relevant data where possible. 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.

The tables below are just the beginning of the data we will look to provide going forward.

<sup>12</sup> (2021/22 Male 10/Female 59)

	2022-23	2022-23
<b>Total tCO<sub>2</sub>e<sup>2</sup></b>	<b>Km travelled</b>	<b>Tonnes CO<sub>2</sub>e</b>
Domestic Flight	20,681	2.69
Rail – National/Average	126,110	4.48

	2022-23	2021-22	2022-23	2021-22
<b>Financial data</b>	<b>Rail</b>	<b>Rail</b>	<b>Air</b>	<b>Air</b>
Expenditure	£45,615	£33,880	£3,935	£296
Number of trips	338	229	18	1

We encourage staff to travel on HFEA business in the most sustainable and cost effective way possible.



**Peter Thompson**  
**Chief Executive**  
**Accounting Officer**

17 July 2023

# 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 less than this number. Below are details of the current and out-going Authority members during the 2022/23 financial year. Biographies for each can be found on our website <https://www.hfea.gov.uk/about-us/our-people/meet-our-authority-members/>

Authority member	Appointment start date	Appointment end date <sup>13</sup>
Julia Chain (Chair)	1 April 2021	31 March 2024
Catharine Seddon	18 January 2021	17 January 2024
Jonathan Herring	18 July 2018	17 July 2024 (re-appointed 27 July 2021)
Gudrun Moore	18 July 2018	17 July 2024 (re-appointed 27 July 2021)
Tim Child	18 January 2021	17 January 2024
Jason Kasraie	18 January 2021	17 January 2024
Alison Marsden	1 April 2021	31 March 2024
Geeta Nargund	1 April 2022	31 March 2025
Alex Kafetz	1 April 2022	31 March 2025
Alison McTavish	1 April 2022	31 March 2025
Frances Ashcroft	1 April 2022	31 March 2025 <sup>14</sup>
Zeynep Gurtin	1 April 2022	31 March 2025
Graham James	1 May 2022	30 April 2025
Frances Flinter	1 May 2022	30 April 2025
Ermal Kirby	1 May 2019	30 April 2022 (term ended)
Anne Lampe	1 February 2016	30 April 2022 (term was extended in November 2021)

<sup>13</sup> The 7 Authority Members whose terms ended prior to 31 March 2022 were replaced in April and May 2022.

<sup>14</sup> Professor Dame Frances Ashcroft stood down on 30 April 2023 due to health reasons.



## Senior Management Team

Our Senior Management Team are set out below.

Peter Thompson	<b>Chief Executive</b>
Richard Sydee	<b>Director of Resources</b>
Clare Ettinghausen	<b>Director of Strategy and Corporate Affairs</b>
Rachel Cutting	<b>Director of Compliance and Information</b>

## Interests of Authority members and senior staff

We maintain a register of interests which is available on our website at <https://www.hfea.gov.uk/about-us/our-people/meet-our-authority-members/>

## 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 and Staff 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.

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## Statement of the Authority and Accounting Officer's responsibilities

The statement of accounts is prepared in a form directed by the Secretary of State for Health and Social Care in the 2022 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, the Authority and the Accounting Officer are required to comply with the requirements of the Financial Reporting Manual, and in particular to:

- observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in HM Treasury Financial Reporting Manual (FRoM), have been followed and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis.

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 I am 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 and Social Care in 20221 Framework Agreement, in accordance with section six of the 1990 Act (as amended).

### Authority statement

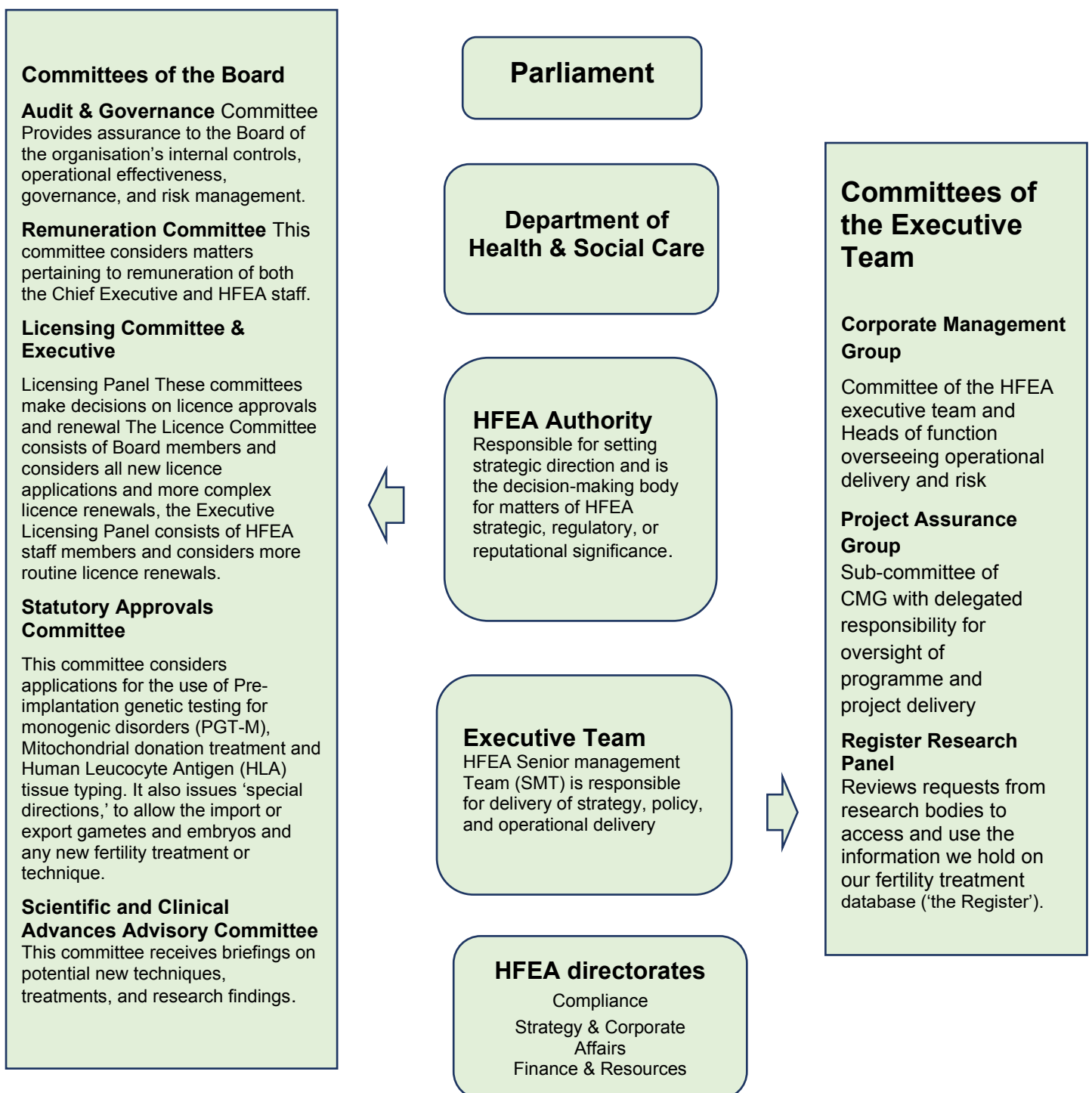
Our Senior Management Team (SMT), the Audit and Governance Committee and the Authority have inputted or reviewed the annual report and accounts. I confirm that the annual report and accounts are fair, complete, and understandable and provide the information necessary for stakeholders to assess our performance.

Governance statement

Governance framework

Our governance framework is set out in the HFE Act 1990 (as amended) and its approved standing orders. Figure 1 (below) shows our governance structure.

**Figure 1: HFEA governance structure**



## Our board (the Authority)

The Board is responsible for setting strategic direction and risk appetite of the organisation and is the ultimate decision-making body for matters of HFEA wide strategic, regulatory, or reputational significance. Effective governance facilitates the delivery of HFEA's purpose and strategy/ The Board is committed, through its governance framework, to appropriate decision making at the correct level within the HFEA making sure there is accountability, long term value and fulfilling our purpose of furthering the interests of our stakeholders.

The Board is led by the Chair and comprises Non-Executive Directors (NEDs) of which nine are lay and five are professional members.

Details of Board members and Committee attendance are below.

Board members	Board Meetings	Audit and <sup>15</sup> Governance Committee	Remuneration Committee
Julia Chain (Chair)	6(6) <sup>16</sup>	N/a	2 (2)
Catharine Seddon (Audit and Governance Committee Chair)	5 (6)	4 (4)	2 (2)
Jason Kasraie	6 (6)	4 (4)	N/a
Tim Child	5 (6)	N/a	2 (2)
Frances Flinter	6 (6)	N/a	N/a
Graham James	6 (6)	N/a	N/a
Geeta Nargund	5 (6)	N/a	N/a
Jonathan Herring	5 (6)	N/a	N/a
Gudrun Moore	6 (6)	N/a	N/a
Alison Marsden	5 (6)	N/a	N/a
Alex Kafetz	5 (6)	4 (4)	N/a
Zeynep Gurtin	5 (6)	N/a	N/a
Alison McTavish	4 (6)	N/a	N/a
Dame Frances Ashcroft <sup>17</sup>	2 (6)	N/a	N/a
Ermal Kirby <sup>18</sup>	0 (6)	N/a	N/a
Anne Lampe <sup>19</sup>	0 (6)	N/a	N/a

<sup>15</sup> The Audit and Governance Committee is also supported by two professional External Advisors Geoffrey Podger and Mark McLaughlin

<sup>16</sup> The figures within brackets are the number of meetings the member was eligible to attend.

<sup>17</sup> Dame Ashcroft was unable to attend all meetings due to health reasons and stood down on 30 April 2023.

<sup>18</sup> Reverend Kirby's term ended in April 2022

<sup>19</sup> Anne Lampe's term ended in April 2022

Biographies of our board members are available at <https://www.hfea.gov.uk/about-us/our-people/meet-our-authority-members/>

The Board is advised by the Executive Directors who are the Chief Executive, Director of Finance and Resources, Director of Strategy and Corporate Affairs and Director of Compliance and Information. The Board meets 6 times a year and these meetings are open to the public and an audio recording of the meetings are made available on our website. The Board monitors and reviews the organisation's performance regularly, based on the management information briefings and commentaries which the Executive provides.

## Board Appointments

The Chair, deputy Chair and the Non-Executive Members of the Board are appointed by the Secretary of State for Health and Social Care). These appointments are made in line with the [Governance Code on Public Appointments](#). The Chair of the Board alongside two members of the Board, appoints external members and advisors to the standing committees.

## Board Activity

During the 2022/23 business year the key issues discussed, and decisions made included:

- Updates on Modernising Fertility Regulation; next steps in relation to the work that continues.
- Gamete and embryo storage; the changes to the HFE Act 1990 in the Health and Care Act 2022 which received Royal Assent. Implementation of the new rules and the challenges both the HFEA and clinics face.  
Updates on the HFEA's position in relation to Covid-19 in particular on the General Direction implemented at the start of the pandemic (GD 0014v2); the impact of Covid-19 on treatment and our preparations for the Covid-19 Inquiry.
- Treatment add-on's; updating the rating system and evidence base. The Board approved recommendations relating to proposals for evolving the rating system; additional outcomes which could be added to the rating system and potential changes to the evidence base used to generate rates and consequential changes to the criteria used by the HFEA when deciding whether to rate an add-on.
- Updates on ethnic diversity in fertility treatment; key findings from the report that was published in March 2021 and actions taken since March 2021 and next steps.
- Risk Management review: post an internal audit conducted in February 2022; details of the plans to review processes; update key documentation such as the risk management policy and strategy; and risk register templates. The Board also agreed to review its risk appetite and tolerance statements and will review these again in November 2023.

## Board committees

### Audit and Governance Committee (AGC)

During the year, the Committee received reports on a number of matters within its Terms of Reference, including internal and external audit plans, internal audit reports, a review of the Whistleblowing Policy, updates on IT developments, Resilience and Business Continuity, relevant financial and corporate governance matters. The Committee horizon scan at each of its meetings.

The Committee reviewed the HFEA's counter-fraud arrangements, in the context of the Cabinet Office Counter-Fraud Framework, and reviewed the anti-fraud policy, counter-fraud strategy; fraud risk assessments, to satisfy itself that appropriate arrangements are in place.

At each meeting, the Committee consider the Strategic Risk Register. During this business year the committee has reviewed and approved new templates and approach to strategic and operation risk management across the HFEA. The committee have continued to receive updates on the progress of the HFEAs PRISM programme.

In 2022/23 the AGC received the following internal audit reports that covered areas across the business.

<b>Audit</b>	<b>Areas reviewed</b>	<b>Assurance rating</b>
Onboarding and induction	The onboarding of new staff into the organisation including actions required by both new starters and Line Managers prior to entering the business on day one; roles and responsibilities of those implementing the needs of new staff and the effectiveness and completeness of the documented induction process	Moderate
DSPT	Assessment of data security and protection risk	Limited
Anti-Fraud Controls	Review of the adequacy of anti-fraud controls; staffs understanding of roles and responsibilities	Moderate
Equality, Diversity, and Inclusion	Assess the adequacy of the arrangement in place to sufficiently support and embed an effective ED&I landscape	Limited
Corporate Governance	Review is to ensure that the arrangements in place to induct new members to the Authority are effective, ensuring the board can continue to fulfil its obligations	Moderate

### Remuneration Committee (RemCo)

The committee met twice in this financial year to discuss the remuneration of both staff and the Senior Management Team (SMT).

### 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 2023	Number of meetings 2022/23	Attendance rate
Appointments Committee	3	0	N/a
Licence Committee	6	8	75%
Statutory Approvals Committee <sup>20</sup>	9	12	100%
Scientific and Clinical Advances Advisory Committee	6	3	72%

## 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.

## Performance management

Our performance management framework links closely to risk management. It includes periodic reporting at different levels of granularity of performance to the Board, the SMT and some of our committees.

This performance reporting covers:

- financial and non-financial information, key risks and issues, and an assessment of delivery against strategic commitments
- business plan delivery at both corporate and operational levels
- other work, such as delivery of specific projects and programmes

Our performance framework and individual performance indicators are kept under periodic review to ensure they remain meaningful and effective and support transparent governance. Our performance reports included in meeting papers are published on our website and can be found at <https://www.hfea.gov.uk/about-us/our-people/authority-meetings/>. This coming business year a review of our performance measures will be undertaken to ensure they illustrate clearly how we are performing and remain relevant.

<sup>20</sup> Statutory Approvals Committee (SAC) has a pool of 9 members but only a maximum of 5 are scheduled to attend.



## Quality of data used by the Board

The papers on which the Board (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 Board, and the annual review of committees, suggest that the papers are of high quality and accuracy.

## 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.

## Risk and capability

The Board's attitude to, and the management of, the risks it faces in carrying out its functions is robust but proportionate. The risks vary in their likelihood and impact, and the Board's overall appetite for risk is 'low' except where there is good reason to see a valuable opportunity to adopting a higher risk appetite. The HFEA risk management methodology takes account of HM Treasury 'Orange Book' as updated in 2020. The framework HFEA has recently updated was established to identify and manage risk is appropriate and allows for reasonable controls to be in place, without impacting on the successful delivery of the Authority's objectives.

The HFEA manages its risk through the use of risk registers, these include the Strategic Register managed by the Senior Management Team and Directorate Operational Risk Registers, where risks are owned by the various Heads of Service. There are also risk logs maintained at both project and programme level. The Strategic Risk register is presented to the Board at least bi-annually and is tabled at each Audit and Governance Committee meeting.

Projects are scrutinised by our Project Assurance Group; 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 Project Assurance Group at monthly intervals. In turn, the Project Assurance Group reports to CMG every month, with a highlight report outlining progress, risks, and issues for each live project.

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.

Last year, internal audit of our Operational Risk Management delivered 'limited' assurance, with a summary of 'There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.' This year a refreshed Risk Management Strategy, Strategic Risk and Operational Risk registers were rolled out to the various groups and are currently in use. Submissions to our Internal Auditors of evidence to support the recommendations made in 2021/22 around the identified weaknesses has resulted in a number of these recommendations being satisfied.

There are three areas that require further work, and these relate largely to ensuring articulation of our risks are covered by specific guidance; guidance to ensure staff are able to determine risk levels and with respect to our incidents management; what the next steps are once incidents are logged and how these are monitored.

## Regulatory risk

Alongside its arrangements for managing risk within the organisation, the HFEA also takes a risk-based approach to the way it regulates the fertility sector. In inspecting and regulating clinics, the Authority uses a risk-based assessment tool which remains agile in a fast-adapting market, ensuring that the HFEA's



regulatory resources are targeted proportionately and reasonably. This tool (and all other processes used by the HFEA in carrying out its functions) is subject to a rigorous quality assurance regime.

## 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.

In quarter three of the 2022/23 business year we made significant changes to the format of both our Strategic and Operational Risk Registers. As of February 2023, there were nine live strategic risks. The new format enables risks to be shown across all areas of the business using the following risk categories.

• Financial	• Governance
• Information(external)	• Information (Register)
• Operational	• People (Resource)
• People (Senior Leadership)	• Reputational
• Security	

Information of our key risks are detailed in the performance section on pages 12 – 14.

## 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 has become more so with 2023 being the year that donor conceived children can access identifying information about their donors on reaching the age of 18.

We are mindful of the current landscape and the risks around data security, phishing, and the current war in Ukraine. We manage these risks within our strategic risk registers. We are also mindful of the complexity that arises when a health and social care organisation needs to share data (as the HFEA would for donor conceived individuals (DCI) and the importance of ensuring this data can be trusted and is secure.

We received a 'limited' rating for our DSPT audit conducted in quarter one of the 2022//23 business year an improvement on the 2021/22 audit. Of the 29 mandatory assertions we provided evidence for, 12 were met; 10 were partially met and 7 were not met. The key areas for the Authority to focus on were Roles and Responsibilities and, the Strength of Evidence. We are working towards a further submission in the early part of 2023/24 and are focusing on ensuring we can demonstrate good practice by providing clear evidence.

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

## Whistleblowing arrangements

Our staff are encouraged to speak up and raise a concern where something does not feel or look right. Our procedures for raising concerns are accessible to all HFEA employees and we offer several avenues for staff to voice their concerns including the use of external whistleblowing hotlines.

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

The HFEA Fraud control framework is designed to minimise the risk of fraud and includes a Counter Fraud policy and strategy with key outputs. This complies with the requirements of the Cabinet Office Functional Standards for Counter Fraud and sets out the HFEA's approach with an action plan for the year.

During quarter three of the 2022/23 business year a desktop review was conducted by the Department of Health and Social Care Anti-Fraud Unit (DHSC AFU). Of the 12 standards 8 were rated as met with 4 being partially met. The partially met related to our Action Plan, Outcome based metrics, Reporting routes and Fraud awareness training. A plan will be put in place in quarter 2 of the new business year that focuses on strengthening the areas raised in the desktop review.

During 2022/23, we continued to make submissions to the Cabinet Office in compliance with the Government Functional Standards for Counter Fraud (GovS013). In addition, risk assessments are carried out bi-annually and our action plan continues to evolve to address areas of weakness identified. We have engaged with the National Fraud Initiative (NFI) data-matching exercise which is conducted annually. The NFI is an exercise which matches electronic data within and between public and private sector bodies to prevent and detect fraud. As part of national exercise, the NFI provides creditor payment and payroll screening and has developed a range of tests to identify duplicate payments or staff who are claiming pay from more than one organisation. There are financial benefits from this exercise, and it also helps to improve the efficiency of an organisations creditor payment and payroll systems.

## Functional standards

The HFEA's functional standard arrangements are at an early stage. The functional standards are designed to promote consistent and coherent working within government organisations. During 2022/23, the HFEA identified the appropriate functional standards that were applicable, and plans are being developed to enable it to monitor and evaluate compliance against them. There are 14 standards of which 11 are applicable to the HFEA.

## Internal incidents

Our process around internal incident reporting has been revised and strengthened in the light of the risk management audit conducted in 2021. We continue to use the lessons learned from reported incidents to plug any gaps in processes and strengthen controls to reduce risk. We will continue to refine our processes in line with the work around ensuring our risk management processes remain robust and relevant.

## Internal Audit

In 2022/23 Internal Audit has provided assurance over HFEA's core business activities with individual reviews performed across operational, financial, and other risk areas: all informed by the organisation's risk areas, risk assessment and our independent view on HFEA's risk profile

The Head of Internal Audit's opinion is based solely on the assessment of whether controls in place support the achievement of management's objectives as set out in the 2022/23 Internal Audit Plan and individual Assignment Reports.

## Head of Internal Audit Opinion

In accordance with the requirements of the UK Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide the Accounting Officer with her annual opinion of the overall adequacy and effectiveness of the organisation's risk management, control, and governance processes.

Her opinion is based on the outcomes of the work that Internal Audit has conducted throughout the course of the reporting year. There have been no undue limitations on the scope of internal audit work and the appropriate level of resource has been in place to enable the function to satisfactorily complete the work planned.

In summary, the overall opinion given to the Accounting Officer was moderate assurance' that HFEA has had adequate and effective systems of control, governance, and risk management in place for the reporting year 2022/23.

### Review of effectiveness

As Accounting Officer, I place reliance on the internal system of control. These include but were not limited to:

- oversight by the Board and its sub-committees including the Audit and Governance Committee.
- the work and opinions provided by GIAA our internal auditors.
- senior managers within the organisation, who had responsibility for the development and maintenance of the system of internal control, and
- regular reporting to the Executive Team on performance and risk management.

I have noted the GIAA's annual report, which in accordance with the Public Sector Internal Audit Standards, concludes that the HFEA "has adequate and effective governance, risk and control arrangements": She has arrived at this opinion through:

- Conducting a detailed risk-based internal audit needs assessment, from which she has prioritised activity over a three-year planning period to design an internal audit strategy and annual operational plan.
- All audit conducted during 2022/23.
- Monitoring the implementation of internal audit recommendations throughout the year.



**Peter Thompson**  
Chief Executive  
Accounting Officer

**17 July 2023**

# Remuneration and Staff Report

## Audit

Specific areas of the Remuneration and Staff report are audited by 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 are made to eligible staff in accordance with the Government limits of a percentage of the total pay-bill. In 2022/23, a pay award agreed by the Remuneration Committee of 4.5% was paid.

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 by the Cabinet Office 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, first announced in March 2006. We implement the revisions when instructed.

No pension contributions or bonuses were paid on behalf of any Authority member in 2022/23.

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## Appeals Committee

The Appeals Committee Chair receives a fee of £580 per day. The Deputy Chair receives a fee of £490 per day and members receive a fee of £400 per day. No pension contributions were paid on behalf of any Appeals Committee member.

The Appeals Committee did not sit in 2022/23 and therefore no payments were made to any members of the Appeals Committee in the year ended 31 March 2023

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## 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.

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## 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.

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## Conflicts of interest

The Code of Conduct for Board Members of Public Bodies published by the Cabinet Office applies to NDPB boards. The Code requires chairs and board members to declare, on appointment, any business interests, positions of authority in a charity or voluntary body in health and social care, and any connection with bodies contracting for NHS services. These must be entered into the HFEA's register of interest, which is available to the public. Any changes should be declared as they arise.

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## Remuneration and benefits to Authority members for the year ending 31 March 2023 (Audited)

Name	Salary range £000s	Expenses (to nearest £100) <sup>21</sup> £	Total £000s	Salary range £000s	Expenses (to nearest £100) <sup>15</sup> £	Total £000s
	2022/23	2022/23	2022/23	2021/22	2021/22	2021/22
Julia Chain (Chair)	45-50	1,000	45-50	45-50	1,000	45-50
Catharine Seddon <sup>22</sup> (Deputy Chair)	20-25	0	20-25	10-15	0	10-15
Jonathan Herring	5-10	100	5-10	5-10	0	5-10
Gudrun More	5-10	0	5-10	5-10	0	5-10
Tim Child	5-10	200	5-10	5-10	0	5-10
Jason Kasraie	5-10	1,200	5-10	5-10	200	5-10
Alison Marsden	5-10	0	5-10	5-10	0	5-10
Geeta Nargund	5-10	0	5-10	N/a	N/a	N/a
Alison McTavish	5-10	1,500	5-10	N/a	N/a	N/a
Alex Kafetz	5-10	700	5-10	N/a	N/a	N/a
Frances Ashcroft	5-10	500	5-10	N/a	N/a	N/a
Zeynep Gurtin	5-10	0	5-10	N/a	N/a	N/a
Revd Graham James	5-10	2,200	5-10	N/a	N/a	N/a

<sup>21</sup> These expenses are shown net of tax.

<sup>22</sup> Catharine Seddon is also Chair of the Audit and Governance Committee and receives remuneration for both roles

Name	Salary range £000s	Expenses (to nearest £100) <sup>17</sup> £	Total £000s	Salary range £000s	Expenses (to nearest £100) <sup>15</sup> £	Total £000s
	2022/23	2022/23	2022/23	2021/22	2021/22	2021/22
Frances Flinter	5-10	0	5-10	N/a	N/a	N/a
Ermal Kirby <sup>23</sup>	0-5(Fye 5-10)	0	0-5	5-10	0	5-10
Anne Lampe <sup>24</sup>	0-5(Fye 5-10)	0	0-5	5-10	0	5-10

## 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 . <https://www.hfea.gov.uk/about-us/what-we-spend-and-how/>

<sup>23</sup> Ermal Kirby's term ended 22 April 2022

<sup>24</sup> Anne Lampe's term ended 22 April 2022

## Chief Executive and directors (Audited)

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 Julia Chain (Chair), Catharine Seddon and Tim Child.

Remuneration and pension benefits of the senior management team (Audited)											
Name	Salary (£'000)		Bonus payments (£'000s)		Benefits in kind (to nearest £100)		Pension benefits <sup>25</sup> (£'000s)		Total (£'000s)		
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	
Peter Thompson	145-150	140-145	0	0	0	0	0	7,000	145-150	145-150	
Rachel Cutting	90-95	90-95	0-5	0	10,600	8,200	37,000	36,000	145-150	135-140	
Richard Sydee <sup>26</sup>	45-50 (Fye <sup>27</sup> 95-100)	45-50 (Fye 95- 100)	0	0	0	0	0	11,000	45-50	55-60	
Clare Ettinghausen	95-100	90-95	0-5	0	0	0	38,000	37,000	135-140	130-135	

## Definitions

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

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

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

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

## Pay ratios (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director / member in their organisation against the 25th percentile, median and 75th percentile of remuneration of the organisation's workforce.

<sup>25</sup> 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.

<sup>26</sup> Richard Sydee is seconded to the HTA from the HFEA for 2.5 days a week and this is reflected above. The figures shown above represent 50% of his salary, pension and bonus that has been recharged to the HTA

<sup>27</sup> The full year equivalent (Fye) is shown in brackets



Total remuneration is further broken down to show the relationship between the highest paid director's salary component of their total remuneration against the 25th percentile, median and 75th percentile of salary components of the organisation's workforce.

The banded remuneration of the highest paid director in the Human Fertilisation and Embryology Authority in the financial year 2022/23 was £145-£150k (2021/22, £140-£145k). The relationship to the remuneration of the organisation's workforce is disclosed in the table below.

	Highest paid director mid-point	2022-23 £147,500	2021-22 <sup>28</sup> £142,500
<b>25<sup>th</sup> Percentile</b>	Total remuneration and salary	£34,005	£32,966
	Total remuneration ratio	4.34	4.32
	Salary	£34,288	£32,966
	Salary ratio	4.30	4.32
<b>Median</b>	Total remuneration and salary	£40,660	£38,154
	Total remuneration ratio	3.63	3.74
	Salary	£38,894	£38,154
	Salary ratio	3.79	3.74
<b>75<sup>th</sup> Percentile</b>	Total remuneration and salary	£48,228	£52,307 <sup>29</sup>
	Total remuneration ratio	3.06	2.72
	Salary	£47,610	£52,307
	Salary ratio	3.10	2.72

The highest paid Director for this comparison was the Chief Executive. There has been a small change in the median remuneration of staff since last year. 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.

In 2022-23, 0 (2021-22, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000<sup>30</sup> to £148,000 (2021/22 £25,000 to £145,000).

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

### Percentage change in remuneration of the highest paid director (Audited)

FY	2022/23	2021/22	Change
Director – salary range	£145,000 - £150,000	£140,000 - £145,000	3.5%
Director – performance pay	None	None	N/a
All staff – remuneration	£3,813,220	£3,768,984	1.2%

<sup>28</sup> Figures have been amended in line with 2022/23 calculation

<sup>29</sup> Figure impacted by the inclusion of contract staff

<sup>30</sup> Salary range includes those staff who are on an apprenticeship.

In line with Cabinet Office pay policy, pay awards were made to HFEA staff during the reporting year. Bonus payments were made to two senior staff in the 2022/23 business year.

## Staff report (Audited)

The HFEA has a headcount of 80 staff members excluding Authority members and including the SMT as at 31 March 2023. Below is a breakdown of staff costs and an analysis of directly employed staff.<sup>31</sup>

	Permanently employed staff	Members	Temporary staff	2022/23 Total	2021/22 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Salaries and wages	3,319	164	500	3,983	3,717
Social security costs	330	7	0	337	311
Other pension costs	878	0	0	878	792
<b>Net staff costs</b>	<b>4,527</b>	<b>171</b>	<b>500</b>	<b>5,198</b>	<b>4,820</b>
Less recoveries in respect of outward secondments	(90)	0	0	(90)	(111)
<b>Total Net Staff costs</b>	<b>4,437</b>	<b>171</b>	<b>500</b>	<b>5,108</b>	<b>4,709</b>

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

	Permanently employed	Seconded	2022/23 Total	2021/22 Total <sup>32</sup>
SCS <sup>33</sup>	4	0	4	4
Other	68	0	68	58
<b>Total</b>	<b>72</b>	<b>0</b>	<b>72</b>	<b>62</b>

<sup>31</sup> The figures in the table may differ to the financial statements due to rounding

<sup>32</sup> These numbers have been rounded.

<sup>33</sup> Includes the Shared Director

## Exit packages (Audited)

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Cost of compulsory redundancies	Number of other departures agreed	Cost of other departures	Total cost of exit packages
		£'000s		£'000s	£000s
Less than £10,000	0	0	0	0	0
£10,000-£25,000 <sup>34</sup>	0	0	1	12	12
£25,001-£50,000	0	0	0	0	0
£50,001-£100,000	0	0	0	0	0
£100,001-£150,000	0	0	0	0	0
£150,001-£200,000	0	0	0	0	0
>£200,000	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>12</b>	<b>12</b>

Exit costs in this note were not accounted for in full in the year of departure. Where the HFEA has agreed early retirements, the additional costs are met by the HFEA and not by the Civil Service pensions scheme. Ill-health retirement costs are met by the Civil Service pensions scheme and are not included in the table.

## Staff Turnover

Staff turnover for the 2022/23 business year was 13.8% (2021/22, 11.7%).

The average number of contractors engaged during 2022/23 was 5.

## Sickness and absences

Our sickness absence aim is to lose no more than 2.5% of time in staff sickness absence and in 2022/23 we achieved 2.26% (2021/22 2.9%). This is lower than the public-sector sickness absence rate average which is 2.7% (Office for National Statistics (ONS) 2018).

Below are further statistics based on the staff in post at 31 March 2023

## Staff mix by gender

Female	67
Male	13
<b>Total</b>	<b>80</b>

<sup>34</sup> Comparative figure for 2021/22 – 1 / £19k

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### Staff mix by age

18 – 29	16
30 – 39	21
40 – 49	21
50 – 59	16

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### Staff mix by ethnicity

African	5
Caribbean	5
Indian	3
Mixed white & Asian	3
White British	53
White Irish	1
White – any other background	6
White and Black Caribbean	1
Other	3
<b>Total</b>	<b>80</b>

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### Staff by length of service

Under 1 year	18
1 – 2 years	12
2 – 3 years	5
3 – 5 years	14
Over 5 years	17
Over 10 years	14
<b>Total</b>	<b>80</b>

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

### Off-payroll engagements assurance statement

For all off-payroll engagements as of 31 March 2023, for more than £245 per day.

<b>Number of existing engagements as of 31 March 2023</b>	<b>3</b>
<b>Of which...</b>	
<b>Have existed for less than 1 year at time of reporting</b>	<b>0</b>
<b>Have existed for between 1 and 2 years at time of reporting</b>	<b>1</b>
<b>Have existed for between 2 and 3 years at time of reporting</b>	<b>1</b>
<b>Have existed for between 3 and 4 years at time of reporting</b>	<b>1</b>
<b>Have existed for 4 or more years at time of reporting</b>	<b>0</b>

For all new off-payroll engagements, between 1 April 2022 and 31 March 2023, for more than £245 per day.

<b>Number of existing engagements as of 31 March 2023</b>	<b>0</b>
<b>Of which...</b>	
<b>Not subject to off-payroll legislation</b>	<b>0</b>
<b>Subject to off-payroll legislation and determined as in-scope of IR35</b>	<b>0</b>
<b>Subject to off-payroll legislation and determined as out-of-scope of IR35</b>	<b>0</b>
<b>No. of engagements reassessed for compliance or assurance purposes during the year</b>	<b>0</b>
<b>Of which: no. of engagements that saw a change to IR35 status following review.</b>	<b>0</b>

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

<b>No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year</b>	<b>0</b>
<b>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.</b>	<b>4</b>

## Consultancy

Our expenditure on Consultancy is £423,426 and relates to legal consultancy costs incurred.

## Remuneration and pension entitlements

HM Treasury Financial Reporting Manual (FRM) 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 at pension age	Real increase in pension lump sum at pension age	Total accrued pension at pension age at 31 March 2023	Lump sum at pension age related to accrued pension at 31 March 2023	CETV at 31 March 2023	Real increase in CETV	CETV <sup>35</sup> at 1 April 2022	Employer's contribution to stakeholder pension
	(bands of £2,500)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)				
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Peter Thompson Chief Executive	0	0	70-75	0	1492	(56) <sup>36</sup>	1398	0
Richard Sydee Director of Finance and Resources	0-2.5	0	40-45	80-85	725	(23) <sup>35</sup>	667	0
Rachel Cutting Director of Compliance and Information	0-2.5	0	5-10	0	88	19	59	0
Clare Ettinghausen Director of Strategy and Corporate Affairs	0-2.5	0	10-15	0	136	19	104	0

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

<sup>35</sup> CETV is the Cash Equivalent Transfer Value is the actuarially assessed capital 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 (other allowable beneficiary's) pension payable from the scheme.

<sup>36</sup> Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Note: CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

As non-executive directors do not receive pensionable remuneration, there will be no entries in respect of pensions for non-executive directors.

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## 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 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at <https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>.

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## Cash Equivalent Transfer Values

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 (or other allowable beneficiary’s) pension payable from the scheme. CETVs are calculated in accordance with [SI 2008 No.1050 Occupational Pension Schemes \(Transfer Values\) Regulations 2008](#).

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.

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## 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 or contributions (including the value of any benefits transferred from another pension scheme or arrangement).

# 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.

	2022/23	2021/22
	£'000s	£'000s
Income from regulatory activity <sup>37</sup>	5,875	5,581
Costs allocated to regulatory activity	(5,603)	(5,564)
<b>Surplus/(Deficit)</b>	<b>272</b>	<b>(17)</b>

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 last 3 years and more so during the early part of 2020/21 (COVID-19 pandemic).

The increase in income compared to 2021/22 in the above table is in part due to clinics catching up in their submission of treatment cycles post the cessation of activities in the early part of 2020. The 2021/22 levels are similar to 2019/20 levels (pre-pandemic).

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 2022/23.

<sup>37</sup> 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.



## Gifts

The HFEA did not receive or make a gift of any kind and value in 2022/23.

## Remote contingent liabilities (Audited)

The HFEA does not have any remote contingent liabilities.

A handwritten signature in black ink, reading "Peter Thompson", enclosed in a light grey rectangular box.

**Peter Thompson**  
Chief Executive  
Accounting Officer

**17 July 2023**

## 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 for the year ended 31 March 2023 under the Human Fertilisation and Embryology Act 1990.

The financial statements comprise the Human Fertilisation and Embryology Authority's

- Statement of Financial Position as at 31 March 2023.
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Human Fertilisation and Embryology Authority's affairs as at 31 March 2023 and its net comprehensive expenditure for the year then ended; and
- 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 2019*. I am independent of the Human Fertilisation and Embryology Authority in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Human Fertilisation and Embryology Authority's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Human Fertilisation and Embryology Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Authority and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Human Fertilisation and Embryology Authority is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report but does not include the financial statements or my auditor's certificate. The Authority and the Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Human Fertilisation and Embryology Act 1990.

In my opinion, based on the work undertaken in the course of the audit,

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Human Fertilisation and Embryology Act 1990; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Human Fertilisation and Embryology Authority and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Human Fertilisation and Embryology Authority or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Authority and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Authority and Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation, and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Human Fertilisation and Embryology Authority from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Human Fertilisation and Embryology Act 1990;

- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Human Fertilisation and Embryology Act 1990; and
- assessing the Human Fertilisation and Embryology Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority and Accounting Officer anticipate that the services provided by the Human Fertilisation and Embryology Authority will not continue to be provided in the future.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Human Fertilisation and Embryology Authority's accounting policies.
- Inquiring of management, the Human Fertilisation and Embryology Authority's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Human Fertilisation and Embryology Authority's policies and procedures on:
  - identifying, evaluating, and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Human Fertilisation and Embryology Authority's controls relating to the Human Fertilisation and Embryology Authority's compliance with the Human Fertilisation and Embryology Act 1990 and Managing Public Money;
- inquired of management, the Human Fertilisation and Embryology Authority's head of internal audit and those charged with governance whether:

- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Human Fertilisation and Embryology Authority for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I obtained an understanding of the Human Fertilisation and Embryology Authority's framework of authority and other legal and regulatory frameworks in which the Human Fertilisation and Embryology Authority operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Human Fertilisation and Embryology Authority. The key laws and regulations I considered in this context included Human Fertilisation and Embryology Act 1990, Managing Public Money, employment law, pensions legislation.

#### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Governance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Authority and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

#### Other auditor's responsibilities

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

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

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date: 18 July 2023**

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 2023

	Note	2022/23 £'000s	2021/22 £'000s
<b>Income</b>			
Revenue from contracts with customers	4	(5,875)	(5,581)
Other operating income	4	(90)	(111)
		<b>(5,965)</b>	<b>(5,692)</b>
<b>Expenditure</b>			
Staff costs	3	5,198	4,820
Purchase of goods and services	3	510	299
Depreciation, amortisation and expected credit loss charges	3	361	554
Amortisation of Right of Use Asset	3	110	0
Other operating expenditure	3	1,062	1,095
		<b>7,241</b>	<b>6,768</b>
<b>Net operating expenditure</b>		<b>1,276</b>	<b>1,076</b>
Finance income	4	(53)	(2)
Finance expense – Interest (lease)		9	0
<b>Net expenditure before taxation</b>		<b>1,232</b>	<b>1,074</b>
Taxation		<b>10</b>	<b>3</b>
<b>Net comprehensive expenditure for the year</b>		<b>1,242</b>	<b>1,077</b>

There are no items of expenditure that should be shown as Other Comprehensive Expenditure. All items of income and expense arise from continuing activities.

Notes 1 to 16 on pages 61 to 76 from part of these financial statements.

## Statement of financial position as at 31 March 2023

		31 March 2023	31 March 2022
	Note	£'000s	£'000s
<b>Non-current assets:</b>			
Property, plant, and equipment	5	65	70
Right of Use Asset	6	824	0
Intangible assets	7	483	591
Other non-current assets	8	0	1
		<b>1,372</b>	<b>662</b>
<b>Current assets:</b>			
Contract and other receivables	9	1,131	989
Cash and cash equivalents	10	3,367	3,688
<b>Total current assets</b>		<b>4,498</b>	<b>4,677</b>
<b>Total assets</b>		<b>5,870</b>	<b>5,339</b>
<b>Current liabilities</b>			
Contract and other payables	11	(515)	(569)
Provisions	12	(36)	(48)
Lease Liabilities	13	(146)	0
<b>Total current liabilities</b>		<b>(697)</b>	<b>(617)</b>
<b>Non-current assets less net current liabilities</b>		<b>5,173</b>	<b>4,722</b>
<b>Non-current liabilities</b>			
Provisions	12	0	(37)
Lease Liabilities	13	(738)	(37)
<b>Total non-current liabilities</b>		<b>(738)</b>	<b>(37)</b>
<b>Total assets less liabilities</b>		<b>4,435</b>	<b>4,685</b>
<b>Taxpayers' equity</b>			
I&E reserve		<b>(4,435)</b>	<b>(4,685)</b>
<b>Total taxpayers' equity:</b>		<b>(4,435)</b>	<b>(4,685)</b>

Notes 1 to 16 on pages 61 to 76 from part of these financial statements.

The financial statements were signed on behalf of the Human Fertilisation and Embryology Authority by:

Peter Thompson 

Chief Executive

Date: 17/07/2023

## Statement of cash flows for the year ended 31 March 2023

	NOTE	2022/23 £'000s	2021/22 £'000s
<b>Cash flows from operating activities</b>			
Net expenditure		(1,232)	(1,074)
Depreciation and amortisation	3	247	155
Impairment loss	3	0	266
Adjustment for net finance costs		9	0
Movement in Lease liability		29	0
(Increase) in trade and other receivables	9	(141)	(68)
Decrease in trade and other payables	10	(54)	(183)
Taxation		(10)	(3)
(Decrease) in provisions	12	(49)	(25)
<b>Net cash (outflow) from operating activities</b>		<b>(1,201)</b>	<b>(932)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, and equipment	5	(24)	(18)
Purchase of intangible assets	7	0	(8)
Proceeds of disposal of property, plant, and equipment	3	0	1
<b>Net cash (outflow) from investing activities</b>		<b>(24)</b>	<b>(25)</b>
<b>Cash flows from financing activities</b>			
Grants from sponsoring department		992	1,356
Lease Liabilities payments		(81)	0
Lease interest payments		(7)	0
<b>Net cash inflow from financing activities</b>		<b>904</b>	<b>1,356</b>
<b>Net (decrease) in cash and cash equivalents in the period</b>	9	<b>(321)</b>	399
<b>Cash and cash equivalents at the beginning of the period</b>	9	<b>3,688</b>	3,289
<b>Cash and cash equivalents at the end of the period</b>		<b>3,367</b>	<b>3,688</b>

Notes 1 to 16 on pages 61 to 76 form part of these financial statements.

## Statement of changes in taxpayers' equity For the year ended 31 March 2023

### Total I&E Reserve

£'000s

#### Balance at 1 April 2021

Changes in taxpayers' equity for the year ended 31 March 2022	4,406
Grant in aid from Department of Health and Social Care	1,356
Comprehensive expenditure for the year	(1,077)

#### Balance at 31 March 2022

**4,685**

Changes in taxpayers' equity for the year ended 31 March 2023

Grant in aid from Department of Health and Social Care*	992
Comprehensive expenditure for the year	(1,242)

#### Balance at 31 March 2023

**4,435**

Notes 1 to 16 on pages 61 to 76 from part of these financial statements.

\*The significant reduction in our grant in aid from 2021/22 is bringing it back in line with previous years. In 2021/22, the HFEA required additional funding to cover a shortfall in income whilst the implementation of our online system (PRISM) took place.

## Notes to the accounts

### 1. Statement of accounting policies

The 2022/23 HFEA accounts are prepared in a form directed by the Secretary of State for Health in the 2022 Framework Agreement, in accordance with section six of the Human Fertilisation and Embryology Act 1990 (as amended).

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

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

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

#### 1.1 Going concern

The going concern basis of accounting for the HFEA is adopted in consideration of the requirements set out in the International Accounting Standards as interpreted by HM Treasury's Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements, where it is anticipated that the services they provide will continue in the future.

#### 1.2 Accounting convention

These financial statements are prepared under the historical cost convention.

#### 1.3 Depreciation and amortisation

Depreciation is provided on all property, plant and equipment and tangible 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.

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.

#### Expected useful lives are as follows:

Information technology	4 years
Office equipment	5 years
Furniture, fixtures, and fittings	5 years
Constructed Software	4 - 10 Years
Buildings - RoU Assets	Length of lease (10 Years)

**Impairments** An annual review is undertaken of all assets to consider any changes in the useful economic life. Impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses.

## 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 with the exception of Laptops which are capitalised to aid tracking.

All property, plant and equipment and intangible assets held by the HFEA at 31 March 2023 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 above, 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.

Intangible Assets namely Constructed software are reviewed for impairment. Consideration of changes in the useful economic life are made. Any impairments that may arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses.

## 1.5 Assets under Construction (Development expenditure)

These are the cost relating to either the creation or upgrade of the HFEA's systems whether that be the hardware or applications that are yet to be deployed. 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 estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed annually. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future period. The judgements that management has made in the process of applying HFEA's accounting policies and that may have significant effect on the amounts recognised in the financial statements are:

**IFRS 16:** determining whether a contract contains a lease. The HFEA exercises judgement in determining whether a contract is, or contains, a lease and whether the contract conveys the right to control the use of an identified asset in exchange for consideration. In making this judgement, the HFEA assess whether the contract, in substance, grants the HFEA the right to direct the use of the identified asset and allows the HFEA to receive substantially all of the economic benefits associated with the use of the identified asset for the lease term.

**IAS 36 - Impairments** - Management makes judgement on whether there are any indications of impairments to the carrying amounts of the HFEA's assets. At the end of the year, management has made a significant judgement in relation to the impairment of PRISM (the online submission systems for the clinics we regulate). The assessment of the level of impairment recognised is subject to a degree of uncertainty. As PRISM does not generate cash and has no market value; due to its uniqueness, management sort to write down its value based upon the original business case and expected costs and benefits realised. The latter being too soon to ascertain as the asset has only just been placed into use.

**IFRS 9 – Expected credit loss** – includes a review of historical debtor information around probability to default, the economic climate and the sectors debtors are categorised by. The judgements made relate to the weighting given to each period our debts remain outstanding. This year has seen a significant increase in the provision due to delays experienced during debt collection which may be a result of the estimated invoices raised during the transition to our online submission system (PRISM).

### 1.7 Impairment of financial assets

The simplified approach to impairment, in accordance with IFRS 9, measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (stage 1).

For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2).

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 loss rate (calculated as amounts written off as a percentage of unpaid debts over the ageing periods of 35, 60 and 95 day is applied to the receivables creating an expected credit loss. The default rate incorporates forward-looking information such as change in inflation, residual impact of COVID.

DHSC provides a guarantee of last resort against debts of its arm's length bodies and other NHS bodies and therefore the HFEA does not recognise stage 1 or 2 losses against these bodies.

### 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.

The provision of the licence is deemed to be the performance condition for which revenue is recognised and is considered over the period to which the licence applies. The contract price is considered to comprise fees for issue and renewal of licences and a variable fee based on the number of treatment cycles.

Clinics submit information to confirm the number of patients registered on a periodic basis and therefore the revenue to be recognised, is determined to be the income it is entitled to for the number of treatment cycles in the period.

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

## 1.10 Leases

### Leases prior to 1 April 2022

The HFEA prior to the transition of IFRS 16, would have applied IAS 17 'Leases' up to March 2022, recognising leased assets as operating leases. Where the risks and rewards of ownership were not transferred substantially to the lessees (HFEA) were classed as operating leases.

Rentals payable under operating leases, were expensed on a straight-line basis over the lease term.

### Leases from 1 April 2022

The HFEA adopted IFRS 16 'Leases' from 1 April 2022. IFRS 16 represents a significant change in lease accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model. IFRS 16 requires recognition of assets and liabilities for all leases in the Statement of Financial Position (SoFP), with exemption given to low value leases and short-term leases, i.e., those with terms of less than 12 months. The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying leased asset and a lease liability, representing an obligation to make lease payments.

Leases previously classified as operating leases; the HFEA has adopted IFRS 16 on the cumulative catch-up basis as mandated by the FReM, and therefore the cumulative impact on previous years has been recognised within reserves. As such the prior year comparative information would not be restated.

On transition, the HFEA has adopted the following: applied a single discount rate to its lease; applied the cumulative catch-up approach; excluded initial direct costs from the measurement of the right-of-use asset at the date of application.

**Measurement of right-of-use asset on transition** - the right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the SoFP immediately before the date of initial applications.

**Subsequent measurement** - right-of-use assets are measured in line with the class of PPE asset to which the lease relates.



**Depreciation of right-of-use assets** - are depreciated on a straight-line basis from commencement date to the earlier of the end of: Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates or the Lease term.

**Measurement of lease liability** - is measured at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application. The incremental borrowing rate is either the interest rate implicit in the lease; HM Treasury discount rate where interest rates implicit in the lease can be readily determined.

**Subsequent measurement** - lease liability is remeasured to reflect changes to the lease payment. The HFEA remeasures the lease liability by discounting the revised lease payments using a revised discount rate if there are changes in: the lease term or future lease payments resulting in a change in the index rate used to determine these future lease payments, including a change to reflect changes in market rental rates following a market rent review. The HFEA remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flow (will happen when the adjustment to the lease payments takes effect).

### 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 (as adopted by the Financial Reporting Manual (FReM)) does not require the following Standards and Interpretations to be applied in 2022/23. The application of the Standards as revised would have a material impact on the accounts in 2022/23, were they applied in that year.

FRS 14 Regulatory Deferral Accounts - applicable to first time adopter of IFRS after 1 January 2016, therefore not applicable to DHSC group bodies.

IFRS 17 - Insurance Contracts - applicable for accounting periods beginning on or after 1 January 2021. This Standard has not yet been adopted by the FReM which is expected to be from April 2025.

### 1.15 Provisions

Provisions are recognised when the HFEA has a present legal or constructive obligation as a result of a past event, it is probable that the HFEA will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

## 2. Operating segments

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

	Note	2022/23 £'000s	2021/22 £'000s
<b>3. Operating expenditure</b>			
<b>3.1 Staff costs</b>			
Permanently employed staff costs		4,527	4,104
Members' allowances		171	157
Agency and other temporary costs		500	559
		<b>5,198</b>	<b>4,820</b>
<b>3.2 Purchase of goods and services</b>			
Legal Expenses		423	215
Auditors' remuneration and expenses	(a)	87	84
		<b>510</b>	<b>299</b>
<b>3.3 Other operating expenses</b>			
Occupation costs		184	240
Running costs		714	710
Staff related costs		164	145
		<b>1,062</b>	<b>1,095</b>
<b>3.4 Depreciation and impairment charges</b>			
Depreciation & amortisation	5,7	137	155
Amortisation of RoU Asset	6	110	0
Impairment of Constructed software		0	266
Expected credit loss		224	134
(Profit)/loss on disposal of fixed assets		0	(1)
		<b>471</b>	<b>554</b>
<b>Total</b>		<b>7,241</b>	<b>6,768</b>

## Notes

a)	Audit expenditure is as follows:	<b>2022/23 £'000s</b>	2021/22 £'000s
	External audit	37	36
	Internal audit	50	48
		<b>87</b>	<b>84</b>

External audit expenditure is the accrued fee for the NAO for 2022-23 year. The internal audit costs relate to audits carried out in 2022-23.

**3a. Staff costs**

	<b>2022/23</b>	2021/22
	<b>Total</b>	Total
	<b>£'000s</b>	£'000s
Wages and salaries	<b>3,983</b>	3,717
Social security costs	<b>337</b>	311
Other pension costs	<b>878</b>	792
<b>Staff costs</b>	<b>5,198</b>	4,820
Less recoveries in respect of outward secondments	<u>(90)</u>	<u>(111)</u>
<b>Total Net staff costs</b>	<b><u>5,108</u></b>	<b><u>4,709</u></b>

As set out in note 1.11, further information in respect of Civil Service Pensions is provided in the remuneration report on pages 46 to 47.

**Average number of staff employed**

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

	<b>31</b>	31
	<b>March</b>	March
	<b>2023</b>	2022
	<b>Total</b>	Total
Directly employed	<u>68</u>	<u>63</u>
Subtotal	<b>68</b>	63
Contract staff	<u>5</u>	<u>4</u>
<b>Total</b>	<b><u>73</u></b>	<b><u>67</u></b>

**4. Income**

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

**Analysis of income**

	<b>2022/23</b>	2021/22
	<b>£'000s</b>	£'000s
Licence fee income	(5,875)	(5,581)
Other income-interest	(53)	(2)
Other operating income	<u>(90)</u>	<u>(111)</u>
<b>Total income for the year</b>	<b><u>(6,018)</u></b>	<b><u>(5,694)</u></b>

## 5. Property, plant, and equipment

	Right of Use asset - property)	Information technology	Office equipment	Total	Of which: Leases within the DHSC Group
	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Cost or valuation:</b>					
<b>At 1 April 2022</b>	0	171	6	177	0
Additions purchased	0	24	0	24	0
Adjustments/Transfers	934	0	0	934	934
<b>At 31 March 2023</b>	<b>934</b>	<b>195</b>	<b>6</b>	<b>1,135</b>	<b>934</b>
<b>Depreciation</b>					
<b>At 1 April 2022</b>	0	102	5	107	0
Charged during the year	110	28	1	139	110
<b>At 31 March 2023</b>	<b>110</b>	<b>130</b>	<b>6</b>	<b>246</b>	<b>110</b>
<b>Carrying value at 31 March 2023</b>	<b>824</b>	<b>65</b>	<b>0</b>	<b>889</b>	<b>824</b>
<b>Carrying value at 31 March 2022</b>	0	69	1	70	0
<b>Asset financing</b>					
Owned	0	65	0	65	0
Leased	824	0	0	824	824
<b>Carrying value at 31 March 2023</b>	<b>824</b>	<b>65</b>	<b>0</b>	<b>889</b>	<b>824</b>
<b>2021/22</b>					
	Property	Information technology	Office equipment	Total	Total
	£	£	£	£	£
<b>Cost or valuation:</b>					
<b>At 1 April 2021</b>	0	153	6	159	0
Additions purchased	0	18	0	18	0
Disposals	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>171</b>	<b>6</b>	<b>177</b>	<b>0</b>
<b>Depreciation</b>					
<b>At 1 April 2021</b>	0	80	4	84	0
Charged during the year	0	22	1	23	0
Disposals	0	0	0	0	0
<b>At 31 March 2022</b>	<b>0</b>	<b>102</b>	<b>5</b>	<b>107</b>	<b>0</b>
<b>Carrying value at 31 March 2022</b>		<b>69</b>	<b>1</b>	<b>70</b>	<b>0</b>
<b>Carrying value at 31 March 2021</b>		73	2	75	0

## 6. Carrying value of right of use assets split by counterparty

	<b>Total £'000s</b>
Leased from DHSC	824
Leased from NHS England Group	0
Leased from NHS Providers	0
Leased from Executive Agencies	0
Leased from Non-Departmental Public Bodies	0
Leased from other group bodies	0
<b>Total</b>	<b>824</b>

## 7. Intangible Assets

	Software licenses	Constructed software	Asset under construction	Total
	£'000s	£'000s	£'000s	£'000s
<b>Cost or valuation:</b>				
<b>At 1 April 2022</b>	158	1,675	0	<b>1,833</b>
<b>At 31 March 2023</b>	<b>158</b>	<b>1,675</b>	<b>0</b>	<b>1,833</b>
<b>Amortisation</b>				
<b>At 1 April 2022</b>	134	1,108	0	<b>1,242</b>
Charged during the year	20	88	0	108
<b>At 31 March 2023</b>	<b>154</b>	<b>1,196</b>	<b>0</b>	<b>1,350</b>
<b>Carrying value at 31 March 2023</b>	<b>4</b>	<b>479</b>	<b>0</b>	<b>483</b>
<b>Carrying value at 31 March 2022</b>	24	567	0	591

All assets are owned

Constructed software includes 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. The gross cost is £977,642 and its net book value is nil as its remaining useful life has ended although the asset is still in use.

	Software Licenses	Constructed Software	Asset under Construction	Total
	£'000s	£'000s	£'000s	£'000s
<b>2021/22</b>				
<b>Cost or valuation:</b>				
<b>At 1 April 2021</b>	150	1,476	885	<b>2,511</b>
Additions purchased	8	0	0	8
Reclassification	0	885	(885)	0
Impairments	0	(266)	0	(266)
Disposals	0	(420)	0	(420)
<b>At 31 March 2022</b>	<b>158</b>	<b>1,675</b>	<b>0</b>	<b>1,833</b>
<b>Depreciation</b>				
<b>At 1 April 2021</b>	115	1,415	0	<b>1,530</b>
Charged during the year	19	113	0	132
Disposals	0	(420)	0	(420)
<b>At 31 March 2022</b>	<b>134</b>	<b>1,108</b>	<b>0</b>	<b>1,242</b>
<b>Carrying value at 31 March 2022</b>	<b>24</b>	<b>567</b>	<b>0</b>	<b>591</b>
<b>Carrying value at 31 March 2021</b>	35	61	885	981

All assets are owned

## 8. 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 implementation of the new Register (PRISM) in September 2021 had some impact on clinics to meet their obligation to pay whilst they were submitting their treatment cycles. Therefore, the HFEA was exposed to some credit risk during the period the 2021/22 and 2022/23 financial year.

### c) Financial assets and liabilities

The only financial asset held at a variable rate was cash at bank of £3,366,709 (2021/22, £3,688,427). As at 31 March 2023, 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.



## 9. Trade and other receivables

	31 March 2023	31 March 2022
	£'000s	£'000s
<b>Amounts falling due within one year</b>		
Contract receivables	817	418
Impairment for expected credit losses	(380)	(156)
Contract receivables not invoiced	509	588
Prepayments	161	127
Other receivables	24	12
<b>Total</b>	<u>1,131</u>	<u>989</u>

Contracts with customers balance has increased in 2022/23 by 95%. This significant increase is due to the timing that clinics were billed at the beginning of the 22/23 business year. Estimated bills for a 3-month period were issued in July which caused delays in payment of outstanding accounts.

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 two years

Other receivables	<u>0</u>	<u>1</u>
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## 10. Cash and cash equivalents

	31 March 2023
	£'000s
<b>Balance at 1 April 2022</b>	3,688
Net change in cash	(321)
<b>Balance At 31 March 2023</b>	<u>3,367</u>
	31 March 2023
	£'000's
<b>Bank account balances</b>	
Government Banking Services	2,826
Commercial Banks	541
	<u>3,367</u>

No cash equivalents were held during the year.

## 11. Trade payables and other current liabilities

<b>Amounts falling due within one year</b>	<b>31 March 2023 £'000s</b>	31 March 2022 £'000s
<b>Analysis by type</b>		
Trade Payables	38	143
Accruals and deferred income	471	420
Other taxation and social security	0	3
Other contract liabilities	6	3
<b>Total</b>	<b>515</b>	<b>569</b>

All creditors were due for settlement within one year of the Statement of Financial Position date.

## 12. Provisions for liabilities and charges

	<b>Office Relocation (Travel) £'000s</b>	<b>Exit package £'000s</b>	<b>Total £'000s</b>
Balance at 1 April 2022	73	12	85
Provided in year	0	0	0
Provisions utilised in year	0	(12)	(12)
Release of provision for the period	(37)	0	(37)
<b>Balance at 31 March 2023</b>	<b>36</b>	<b>0</b>	<b>36</b>

Analysis of expected timing of cashflows

	<b>Office Relocation (Travel) £'000s</b>	<b>Exit package £'000s</b>	<b>Total £'000s</b>
Not later than one year	36	0	36
	<b>36</b>	<b>0</b>	<b>36</b>

The provision was provided in 2020/21 to reflect the cost of additional travel the HFEA has committed to reimburse its staff over a three-year period as a result of the office relocation. The provision is being released equally with 2024/25 being the final year.

The relocation of the HFEA to new offices is a constructive obligation under IAS 37. The HFEA has consulted its staff and expects there to be a transfer of economic benefits. The estimate of the provision was based upon the number of staff who have office-based contracts.

### 13. Lease Liabilities

	2022/23	
Obligations for the following periods comprise:	<b>Buildings Right of Use Asset £'000s</b>	<b>Total £'000s</b>
Payable:		
Not later than one year	146	146
Later than one year and not later than five years	468	468
Later than five years	302	302
Less interest element	(32)	(32)
<b>Present value of obligations</b>	<b>884</b>	<b>884</b>

### 14. Contingent liabilities

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

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

### 15. Related party transactions

During the period none of the Department of Health and Social Care Ministers, HFEA Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the HFEA.

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 other entities for which the Department is regarded as the parent department including:

#### **Organisations**

The National Institute for Health and Care Excellence (NICE)  
Human Tissue Authority (HTA)  
Care Quality Commission (CQC)

#### **Ministers**

The Rt Hon Steve Barclay MP  
Lord Markham

Below are the board members who are connected to those clinics we licence and are therefore regarded as related parties.

**Authority Members**

Tim Child - TFP Oxford and Nuffield Dept for Women's Health University of Oxford

Jason Kasraie - Shropshire & Mid-Wales Fertility Centre

**16. Events after the reporting period**

In accordance with the requirements of International Accounting Standard 10, reports after the accounting period are considered up to the date the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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