NHS
National Institute for
Health and Clinical Excellence

# National Institute for Health and Clinical Excellence

# Annual Report and Accounts 2012/13

# National Institute for Health and Clinical Excellence (Special Health Authority)

# Annual Report and Accounts 2012/13

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# Chair's and Chief Executive's foreword

It has been a year of change for those working in the health and social care sectors, and at NICE we have been busy laying down the groundwork for our contribution to the support that those who use and provide services will need in the new system.

The Health and Social Care Act 2012 set out our responsibilities from April 2013 and authorised our move into social care. This is a significant change, and one that reflects the growing recognition that in order to improve the quality of care, and to make budgets go further, greater integration of services across health and social care is necessary.

In preparation, in August 2012 we consulted on two pilot quality standards for social care based on guidelines we produced on the wellbeing of people living with dementia and the care of looked-after children and young people.

The pilot standards gave us a valuable opportunity to test our methods and processes prior to receiving the first set of topics for health and social care quality standards from the Department of Health in September 2012. The topics include autism in adults and children, child maltreatment, mental wellbeing of older people in residential care and medicines management in care homes.

In January 2013, we awarded a contract to the Social Care Institute for Excellence (SCIE), and its partner organisations, to support us with the development, adoption and dissemination of social care guidance and quality standards, as the NICE Collaborating Centre for Social Care.

Ahead of local government taking back responsibility for commissioning public health services, we published our first set of public health briefings in July 2012 to address some of the major challenges facing society – the use of tobacco, alcohol and the lack of physical activity. The briefings raise awareness and provide information about the recommendations and evidence reviews from NICE that local government can call on when commissioning public health services.

We have continued to provide advice to help ensure that NHS patients are offered care that is known to be both clinically effective and cost effective. This is now more important than ever as the NHS endures one of the most financially constrained periods in its history.

During the course of this year, we published 90 sets of recommendations, including:

- updated clinical guidelines on fertility, which expanded the range of options for couples having problems with conception
- public health guidance to encourage walking and cycling
- diagnostic guidance on depth of anaesthesia monitors
- medical technologies guidance on WatchBP Home, a device for picking up cases of atrial fibrillation during the monitoring of hypertension.

Two new products were launched in December 2012 to help the NHS reduce variation in drug prescribing. The first was our evidence summaries to provide high-quality advice to the NHS and patients in England about the use of new, unlicensed and off-label medicines. This was closely followed by our first good practice guide to help trusts develop and update local formularies, as

part of a move to ensure that all patients in England have access to clinically effective and cost-effective drugs. We will be following this up with further good practice guides that will provide advice for those involved in handling, prescribing and commissioning medicines.

Our quality standards programme continues to expand, with 12 new standards published on topics such as lung cancer, antenatal care, asthma and epilepsy. Quality standards will be reflected in NHS England's Clinical Commissioning Group Outcome Indicator Set (CCGOIS), which will aim to drive local improvements in quality and outcomes for patients. In January 2013, we put forward for consultation 32 new indicators for the CCGOIS, on topics such as dementia, cancer and end-of-life care.

We have continued to develop clinical indicators for the Quality and Outcomes Framework (QOF) for GP practices in the UK. We recommended new indicators to help improve levels of care for people with conditions such as rheumatoid arthritis, diabetes and COPD.

In keeping with calls for the NHS to become paperless, we have made all of our new clinical guidelines and public health guidance, and much of our back catalogue, available in NICE Pathways – our easy-to-use flowcharts containing all of our guidance on a particular topic in one place.

We have built on the success of our NICE guidance 'app', which has been downloaded over 60,000 times, and have developed British National Formulary (BNF) apps for adults and children for use on smartphones and tablets.

On 1 April 2013, Professor David Haslam became Chair of NICE succeeding Professor Sir Michael Rawlins, whose highly successful 14-year tenure as Chair came to an end.

By the time we produce our next annual report, we will be celebrating our first anniversary as a non-departmental public body set up under primary legislation, and fully embracing our new remit in social care.

As NICE continues to evolve, what remains as a constant is the hard work and dedication of our staff, advisory bodies, stakeholders, contractors and everyone who has given their time to help us with our work. NICE would simply not be able to grow without them. It is once again our pleasure to thank them for their commitment to their work, to NICE, to the NHS and to the health of the nation.

**Professor Sir Michael Rawlins** Chair
**Sir Andrew Dillon** Chief Executive

# Overview

## *WHO WE ARE*

NICE was set up in 1999 as an independent organisation to reduce variation in the availability and quality of NHS treatments and care. We provide national guidance and advice to promote high-quality healthcare and public health. We develop evidence-based guidance, advice and other products to clarify the medicines, treatments, procedures and devices that provide the best quality and most cost-effective care. We also produce quality standards, performance metrics and a range of information services for those providing, commissioning and managing services across the spectrum of health and social care.

In 2012/13, we published 19 new clinical guidelines, 28 technology appraisals, guidance on 28 interventional procedures, guidance covering four medical technologies, and six pieces of public health guidance. Our diagnostic assessment programme produced guidance on five topics, and we issued 12 more quality standards.

This year we also started to develop a range of public health briefings for local government, which summarise recommendations from NICE public health guidance. We have published eight public health briefings so far.

Professor Sir Michael Rawlins was Chair until April 2013, after which he was succeeded by Professor David Haslam. Sir Andrew Dillon is Chief Executive.

## *WHAT WE DO*

**CENTRE FOR CLINICAL PRACTICE**

This directorate develops guidance, in the form of clinical guidelines, on the appropriate treatment and care of people with specific diseases or conditions for people working in the NHS. It contains the Medicines and Prescribing Centre (MPC), and continues the work of the National Prescribing Centre, which joined NICE in 2011. The MPC is responsible for developing evidence summaries for selected new medicines and for unlicensed and off-label medicines that are considered to be of clinical significance to the NHS, where there are no clinically appropriate licensed alternatives. The directorate is also responsible for distributing the British National Formulary (BNF) medicines guide to the NHS.

**CENTRE FOR PUBLIC HEALTH EXCELLENCE**

This directorate develops guidance on the prevention of ill health. Its guidance is aimed at those working in the NHS, local authorities, the wider public and the private and voluntary sectors. Our public health guidance focuses on a particular topic (such as smoking), population (such as children) or setting (such as the workplace). This year, the directorate produced NICE's new local government public health briefings, which aim to help local authorities and partner organisations with their new public health responsibilities.

**CENTRE FOR HEALTH TECHNOLOGY EVALUATION**

This directorate develops guidance on the use of new and existing treatments and procedures within the NHS, such as medicines, medical devices, diagnostic techniques and surgical procedures. It is responsible for the Patient Access Scheme Liaison Unit and the Scientific Advice Programme, and hosts the NICE Topic Selection Programme.

The directorate also includes the Research and Development team, which helps to improve the methods that NICE uses to develop guidance and encourages partners to commission research relevant to our work.

**COMMUNICATIONS DIRECTORATE**

The Communications Directorate is responsible for raising awareness of our work among key audiences and external partners, and for

## *WHERE DOES NICE GUIDANCE APPLY?*

**ENGLAND**
Clinical guidelines
Technology appraisals
Medical technologies guidance
Diagnostic technologies guidance
Interventional procedures
Public health guidance

**WALES**
Clinical guidelines
Technology appraisals
Medical technologies guidance
Diagnostic technologies guidance
Interventional procedures

**NORTHERN IRELAND**
Clinical guidelines*
Technology appraisals*
Interventional procedures

* With advice from the Department of Health, Social Services and Public Safety

**SCOTLAND**
Multiple technology appraisals*
Interventional procedures

* Healthcare Improvement Scotland issues alerts to notify NHS Scotland of the publication of NICE Guidance and advise on its applicability to Scotland

protecting and enhancing our reputation by using the most effective channels. The directorate manages the publication and dissemination of NICE guidance, runs the NICE website, and handles press and public enquiries.

The recently updated NICE website makes it easier to search for guidance, and integrates digital developments such as NICE Pathways and the guidance web viewer. The website provides information about all of our work programmes, including free access to all NICE guidance and implementation tools to help people put our recommendations into practice. Work is underway to optimise the site for use on mobile devices and tablets. We received more than 10.9 million visits to the site in 2012/13.

Smartphone users can download the NICE Guidance 'app', which allows all our guidance to be seen at a glance. This year we also produced NICE British National Formulary (BNF) and BNF for Children apps, which provide easy access to the latest prescribing information from the most widely used medicines information resources within the NHS. The BNF apps have been downloaded more than 150,000 times so far.

NICE employees spoke about our work at 39 conferences in the UK and Europe. Audiences ranged from industry to local government to the charity sector. In November 2012, we hosted an online web seminar on the new commissioning structure for the healthcare system.

**HEALTH AND SOCIAL CARE DIRECTORATE**
This is NICE's newest directorate, and was formed ahead of our new social care responsibilities outlined in the government's Health and Social Care Act 2012.

In January 2013, NICE awarded a contract to the Social Care Institute for Excellence (SCIE), and its partner organisations, to support the development, adoption and dissemination of its social care guidance and quality standards. They began this in April 2013 as the NICE Collaborating Centre for Social Care.

The directorate includes:

- The health and social care quality programme. This team is responsible for producing a range of products to improve quality within the NHS. These include quality standards, which act as markers of high-quality, cost-effective patient care, the Quality and Outcomes Framework (QOF),

and the Clinical Commissioning Group Outcome Indicator Set (CCGOIS), formerly known as the Commissioning Outcomes Framework. The team manages NICE's new social work programme, including the development of guidance and quality standards for social care.

- The NICE Accreditation Programme. This programme aims to raise the standard of guidance production by evaluating the processes used for guidance development, and to help users identify high-quality guidance.
- The NICE Fellows and Scholars Programme, which recognises the achievement and promise of NHS health professionals, contributes to their professional development and fosters a growing network of health professionals linked to NICE who will help to improve the quality of care in their local areas.
- The Public Involvement Programme, formerly known as the Patient and Public Involvement Programme. This programme develops and supports opportunities to involve patients, carers and the public in NICE's work. The name change, on 1 January 2013, reflects the broader scope in NICE's new social care remit.
- The NICE Implementation team, which develops tools and commissioning guides to help people put our guidance into practice, ensures dissemination to target audiences, engages with the NHS and works nationally to encourage a supportive environment. Our seven-strong team of implementation consultants work across England to ensure we respond to requests from each region.

Along with the communications team, this directorate looks after NICE Pathways. NICE Pathways offer an easy-to-use, intuitive way of accessing a range of information from NICE about health, public health and social care. They include up-to date NICE guidance, quality standards and related information.

To see all our guidance and how we develop our recommendations visit: www.nice.org.uk

**EVIDENCE RESOURCES DIRECTORATE**

The Evidence Resources directorate manages the NICE Evidence website and the UK PharmaScan database. It also delivers a number of supporting functions to the rest of NICE.

NICE Evidence is a service provided by NICE to improve the use of, and access to, evidence-based information about health and social care, summarised evidence, medicines information, reports and practical evidence-based tools to support implementation. It also provides evidence updates, which highlight new evidence relating to published, accredited guidance.

NICE Evidence displays guidance formally accredited by the NICE Accreditation Programme. It also provides access to journals and electronic databases procured on behalf of NHS England (formerly the NHS Commissioning Board) and houses the national QIPP (Quality, Improvement, Productivity and Prevention) database.

Evidence Resources is also responsible for UK PharmaScan, a horizon-scanning database populated by manufacturers with information on new medicines in development.

Within Evidence Resources, the Information Management and Technology team supports all NICE digital activities, including the NICE website, NICE Evidence Services, developing mobile technology, and further developing NICE Pathways.

The Information Resources team provides access to quality information to support guidance development and other NICE programmes, identifying, selecting and appraising new evidence.

The Engagement and Management team is responsible for all user research conducted by NICE and also commissions and manages contracts for online content available to NHS England through NICE Evidence.

**BUSINESS PLANNING AND RESOURCES DIRECTORATE**

This directorate manages finance, human resources, corporate governance, estates and facilities, and IT services for NICE.

**NICE INTERNATIONAL**

NICE International is dedicated to supporting other countries to use evidence-based decision-making in healthcare policy. Over the past 5 years, NICE International has delivered hands-on technical projects in 35 countries and has engaged or formed partnerships with policymakers in another 40 countries.

In 2012/13, we secured funding from the Department for International Development's Health Partnership Scheme to work in India and China. This includes working with the government of India to help implement its 12th Five-Year Plan, and work with the National Health Development and Research Centre in China.

The work in China led to a collaboration to develop clinical pathways to manage COPD and stroke across rural counties. We also worked with the Centre for Global Development to develop a report on priority setting.

During 2012/13 NICE International hosted 33 foreign delegations from 17 countries, including seven ministerial delegations.

**NATIONAL CLINICAL ASSESSMENT SERVICE**

This year, NICE welcomed the opportunity to host the National Clinical Assessment Service (NCAS) after its move from the National Patient Safety Agency. NCAS helps improve patient safety by working with organisations across the UK to resolve performance concerns about the professional practice of doctors, dentists and pharmacists. Over the year NCAS managed about 1,500 cases, mainly from the NHS in England, Wales and Northern Ireland, about concerns over clinical practice, behaviour, conduct and health.

**HOW WE WORK**

NICE works with experts from the NHS, local authorities and others in the public, private, voluntary and community sectors, as well as patients and carers. We make independent decisions in an open, transparent way, based on the best available evidence, and we include input from experts and interested parties.

The NHS is committed to enabling the public to influence the development and delivery of services. NICE actively encourages the involvement of patients, carers and the public (organisations and individuals) in the development and implementation of our guidance. Our Citizens Council provides a public perspective on NICE decision-making processes, and the meetings of our advisory bodies are held in public, enabling scrutiny of our decisions.

Since it was set up, the Citizens Council has provided valuable input on a range of issues including incentives to promote individual behaviour change, patient safety, harm reduction in smoking, and discounting for calculating future costs and health benefits.

# About NICE

## *THE BOARD*

The Board's membership in 2012/13 was:
**Professor Sir Michael Rawlins**[1] Chair
**Dr Margaret Helliwell** Vice Chair
**Jenny Griffiths OBE**[1] Non-Executive Director
**Professor David Hunter** Non-Executive Director
**Mercy Jeyasingham MBE**[1] Non-Executive Director
**Professor Rona McCandlish** Non-Executive Director
**Andrew McKeon** Non-Executive Director
**Professor Patrick Morrison**[1] Non-Executive Director
**Professor Helen Roberts**[1] Non-Executive Director
**Linda Seymour** Non-Executive Director
**Jonathan Tross CB** Non-Executive Director
**Sir Andrew Dillon** Chief Executive
**Professor Gillian Leng CBE** Deputy Chief Executive and Health and Social Care Director
**Professor Carole Longson** Health Technology Evaluation Centre Director
**Ben Bennett** Business Planning and Resources Director
**Professor David Haslam CBE**[2] Shadow Chair

1 Board membership ended on 31/3/13
2 Shadow Chair from 1/1/13

## *BOARD COMMITTEES*

### AUDIT COMMITTEE

The committee provides an independent and objective review of arrangements for internal control within NICE, including risk management. The members in 2012/13 were:
**Jonathan Tross CB*** Non-Executive Director
**Jenny Griffiths OBE**[1] Non-Executive Director
**Professor David Hunter**[2] Non-Executive Director
**Professor Rona McCandlish** Non-Executive Director
**Professor Patrick Morrison**[3] Non-Executive Director
**Professor Helen Roberts**[1] Non-Executive Director

* Chair of the Committee
1 Until 31/3/13
2 From 21/11/12
3 Until 21/11/12

### HUMAN RESOURCES AND CLINICAL REVALIDATION COMMITTEE

The committee agrees, monitors and reviews the implementation of NICE's human resources strategies and policies, and the medical revalidation policy. The members in 2012/13 were:
**Mercy Jeyasingham MBE***[1] Non-Executive Director
**Dr Margaret Helliwell** Non-Executive Director
**Jenny Griffiths OBE**[1] Non-Executive Director
**Professor Helen Roberts**[1] Non-Executive Director
**Linda Seymour** Non-Executive Director
**Ben Bennett** Business Planning and Resources Director
**Professor Gillian Leng CBE**[2] Deputy Chief Executive and Health and Social Care Director

* Chair of the Committee
1 Until 31/3/13
2 From 20/9/12

### REMUNERATION AND TERMS OF SERVICE COMMITTEE

The committee sets remuneration levels and terms of service for senior staff at NICE, in line with NHS practice. Members in 2012/13 were:
**Professor Sir Michael Rawlins**[1] Chair
**Dr Margaret Helliwell** Non-Executive Director
**Andrew McKeon** Non-Executive Director
**Jonathan Tross CB** Non-Executive Director

1 Until 31/3/13

## *SENIOR MANAGEMENT TEAM*

The members of the NICE Senior Management Team in 2012/13 were:
**Sir Andrew Dillon** Chief Executive
**Professor Gillian Leng CBE** Deputy Chief Executive and Health and Social Care Director
**Professor Mark Baker** Centre for Clinical Practice Director
**Ben Bennett** Business Planning and Resources Director
**Jane Gizbert** Communications Director
**Professor Mike Kelly** Public Health Excellence Centre Director
**Professor Carole Longson** Health Technology Evaluation Centre Director
**Alexia Tonnel** Evidence Resources Director

## *CITIZENS COUNCIL COMMITTEE*

The Citizens Council Committee, in consultation with the rest of NICE, decides the questions to be put to the Citizens Council. The members in 2012/13 were:

**Professor Sir Michael Rawlins**[1] Chair

**Mercy Jeyasingham MBE**[1] Non-Executive Director

**Professor Helen Roberts**[1] Non-Executive Director

1 Until 31/3/13

## *INDEPENDENT ADVISORY COMMITTEES*

Membership of these committees includes health professionals working in the NHS and people who are familiar with the issues affecting patients and carers. While they may seek the views of organisations that represent healthcare professionals, patients and carers, manufacturers and government, their advice is independent of any vested interest. During 2012/13 they were:

- Diagnostics Advisory Committee, chaired by Professor Adrian Newland CBE
- Interventional Procedures Advisory Committee, chaired by Professor Bruce Campbell
- Medical Technologies Advisory Committee, chaired by Professor Bruce Campbell
- Accreditation Advisory Committee, chaired by Professor David Haslam CBE[1]
- Primary Care Quality and Outcomes Framework Indicator Advisory Committee, chaired by Dr Colin Hunter
- Public Health Interventions Advisory Committee, chaired by Dr Catherine Law OBE
- Technology Appraisal Committees, chaired by Dr Jane Adam, Dr Amanda Adler, Professor Peter Clark and Professor Andrew Stevens
- Clinical Commissioning Group Outcomes Indicator Set, chaired by Professor Danny Keenan
- Local Government Reference Group, chaired by Philip Woodward
- Quality Standards Advisory Committees, chaired by Dr Bee Wee, Dr Hugh McIntyre, Dr Damien Longson and Dr Michael Rudolf.

1 Left 31/3/13

## *INDEPENDENT ACADEMIC CENTRES AND INFORMATION-PROVIDING ORGANISATIONS*

NICE works with independent academic centres to review the published and submitted evidence when developing technology appraisals guidance. We currently work with the following organisations:

- Health Economics Research Unit and Health Services Research Unit, University of Aberdeen
- Liverpool Reviews and Implementation Group, University of Liverpool
- School of Health and Related Research (ScHARR), University of Sheffield
- Centre for Reviews and Dissemination and Centre for Health Economics, University of York
- Peninsula Technology Assessment Group, Peninsula Medical School, Universities of Exeter and Plymouth
- Southampton Health Technology Assessment Centre (SHTAC), University of Southampton
- Kleijnen Systematic Reviews Ltd
- BMJ Evidence Centre, BMJ Group
- Warwick Evidence, Warwick Medical School, University of Warwick.

We also commission independent academic centres to review the published evidence when developing public health guidance. The Centre for Public Health Excellence in 2012/13 worked with the following organisations:

- Centre for Public Health, Liverpool John Moores University
- London School of Hygiene and Tropical Medicine at the University of London
- Centre for Reviews and Dissemination, University of York
- University of the West of England
- University College, London
- Cedar, Cardiff and Vale University Health Board
- Support Unit for Research Evidence (SURE), Cardiff University
- York Health Economics Consortium
- Tobacco Dependence Research Unit, Queen Mary University of London
- UK Centre for Tobacco Control Studies, University of Nottingham

- University of Stirling
- Health Economic Research Group, Brunel University
- School of Health and Related Research (ScHARR), University of Sheffield
- British Columbia Centre for Excellence for Women's Health
- University of Oxford
- Mapi Values
- Matrix Evidence
- Bazian Ltd
- National Heart Forum.

### *REVIEW BODY FOR INTERVENTIONAL PROCEDURES*

The Interventional Procedures programme commissions work, such as systematic reviews, as required, through an 'expression of interest' process from one of four external assessment centres. These independent units are retained to work with the Centre for Health Technology Evaluation on projects related to the work programmes on medical devices and diagnostics.

### *NATIONAL COLLABORATING CENTRES*

The National Collaborating Centres (NCCs) develop clinical guidelines for NICE. The NCCs bring together a multidisciplinary development group for each guideline. These groups include patients, healthcare professionals such as nurses and GPs, and technical experts who work together to interpret evidence and draft recommendations. The centres are:

- National Clinical Guidelines Centre, hosted by the Royal College of Physicians
- National Collaborating Centre for Cancer, based at the Velindre NHS Trust
- National Collaborating Centre for Mental Health, run jointly by the Royal College of Psychiatrists and the British Psychological Society
- National Collaborating Centre for Women's and Children's Health, based at the Royal College of Obstetricians and Gynaecologists and the Royal College of Paediatrics and Child Health.

### *PUBLIC HEALTH COLLABORATING CENTRES*

The Public Health Collaborating Centres (PHCCs) undertake reviews of the evidence and economic analyses for consideration by the Public Health Interventions Advisory Committee (PHIAC) or a programme development group. In 2012/13, the PHCC used was:

- School of Health and Related Research (ScHARR), University of Sheffield.

### *SOCIAL CARE COLLABORATING CENTRE*

In January 2013, NICE appointed the Social Care Institute for Excellence (SCIE), and its partner organisations, to support the development, adoption and dissemination of its social care guidance and quality standards. The collaborating centre will be known as the NICE Collaborating Centre for Social Care and SCIE's partner organisations are:

- Evidence for Policy and Practice Information and Coordinating Centre (EPPI-Centre)
- The Personal Social Services Research Unit (PSSRU) at the London School of Economics and Political Science
- The University of Kent, Research in Practice (RIP), and Research in Practice for Adults (RIPfA).

# Management commentary

## *CURRENT AND FUTURE DEVELOPMENTS*

The financial year 2012/13 was a busy year for NICE with an increase in the number of published outputs. The relatively new Medical Technologies and the Outcomes and Indicators programmes are now producing more guidance, adding to that of more established programmes such as Technology Appraisals and Public Health. In addition, as our remit expands to include producing guidance and standards for the social care sector, as outlined in the Health and Social Care Act 2012, NICE has begun to build the team and processes required to deliver this work from April 2013 onwards.

These increases in activity were achieved within a reducing resource base. As part of the government's drive to reduce public spending, NICE's grant-in-aid funding fell by 6.5% to £63.8 million in 2012/13 (from £68.2 million in 2011/12). This reduction was in addition to the 11% reduction in funding in the previous financial year. Key to achieving the cost improvements have been implementing process efficiencies, deriving better value from external contracts and locating operations to the North West, where costs are lower.

On 1 April 2012, the National Clinical Assessment Service (NCAS) transferred into NICE from the National Patient Safety Agency (NPSA), with the intention that this would be a temporary arrangement that would last for a single financial year. During 2012/13 it was agreed that from April 2013 NCAS would transfer permanently into the NHS Litigation Authority (NHSLA). The Department of Health provided additional funding to host NCAS. This funding was £7.3 million, which brought the total grant-in-aid funding for NICE in 2012/13 to £71 million.

The average number of whole-time equivalent (wte) employees within NICE during 2012/13 was 600. Of these, 525 wte were NICE employees (508 wte in 2011/12). The remaining 75 wte represents NCAS employees.

Information on NICE's objectives for 2012/13 is contained in the Chief Executive's report, and objectives up to 2016 are included in the business plan, both available from our website (www.nice.org.uk/aboutnice).

Looking forward to 2013/14, NICE's confirmed grant-in-aid funding is £66.3 million, which is a net increase of £2.5 million compared with 2012/13. This funding is inclusive of a £0.3 million funding cut in the 2012/13 brought-forward figure. However, new funding is to be allocated to NICE to fund the Social Care programme – £2.8 million has been allocated by the Department of Health. The majority of this budget will be used to fund the new NICE Collaborating Centre for Social Care, which will be run by the Social Care Institute for Excellence (SCIE) and its partner organisations.

## IMPACT OF HEALTH AND SOCIAL CARE ACT 2012

As a consequence of the Health and Social Care Act 2012, from 1 April 2013 NICE changed from being a special health authority to become a non-departmental public body (NDPB), placing the organisation on a stronger statutory footing. The Act set out our responsibilities from April 2013 and authorised NICE's move into social care. To recognise this, NICE changed its name from the National Institute for Health and Clinical Excellence to the National Institute for Health and Care Excellence from 1 April 2013.

NICE's change in status was effectively the dissolution of the organisation as a special health authority and the creation of a new NDPB. As a result, in the months leading up to the change all employees were given notice of their transfer into the new body under

Transfer of Undertakings (Protection of Employment) Regulations (TUPE) with their current responsibilities and terms of service, including their pension arrangements, intact.

NCAS, which NICE hosted from April 2012, transferred from NICE to the NHS Litigation Authority (NHSLA) with effect from 1 April 2013 and so is not part of the new organisation. All NCAS employees transferred under TUPE to the NHSLA, as did all other NCAS assets and liabilities.

NICE still receives the majority of its funding from the Department of Health via grant-in-aid allocations. After the change in status all its policies and procedures, including Standing Orders and Standing Financial Instructions, have been adopted by the new body following minor changes to reflect the new status. The accounts have therefore been prepared on a going concern basis.

From 1 April 2013, a new board is in place to govern NICE as an NDPB. In the run up to the change in status a shadow board was established. The shadow board consisted of a newly appointed shadow Chair (Professor David Haslam, who replaced Professor Sir Michael Rawlins as Chair from 1 April 2013) and six of the existing non-executive directors whose terms of office extend beyond April 2013. The shadow board held two meetings in 2012/13 to consider and agree arrangements for the management of the new body. In April 2013 the new board ratified the decisions taken in these shadow board meetings.

## *FINANCIAL OVERVIEW*

Total net expenditure for 2012/13 was £64.9 million, which was an underspend of £7.1 million against a revenue resource limit of £72.0 million. This can be split between NICE and NCAS as summarised in Table 1.

**NICE**

The total net expenditure for NICE in 2012/13 was £58.9 million (£59.2 million in 2011/12), which was an underspend of £5.6 million against a revenue resource limit of £64.5 million (there was an £11.0 million underspend against a revenue resource limit of £70.2 million in 2011/12).

The £5.6 million underspend by NICE in 2012/13 was caused by a mixture of a significant number of vacant posts existing throughout the year, savings generated through renegotiation of contracts and general caution exercised by the Board in not committing to new recurrent expenditure in preparation for future reductions to its grant-in-aid budget.

The major factor contributing to the underspend is ongoing public sector spending restrictions, in particular the recruitment and communications freezes announced by the government in May 2010. Although NICE has received permission from the Department of Health to fill some posts without being subject to any advertising restrictions, many posts are still subject to recruiting from approved recruitment pools – this, coupled with organisational change throughout the wider

Table 1: Net expenditure compared with revenue resource limit

| **2012/13 Financial outturn** | **Revenue resource limit £m** | **Net expenditure £m** | **Variance £m** |
|---|---|---|---|
| National Institute for Health and Clinical Excellence | 64.5 | 58.9 | (5.6) |
| National Clinical Assessment Service | 7.5 | 6.6 | (0.9) |
| Consolidation adjustment: gain on transfer of function | – | (0.6) | (0.6) |
| **Total Comprehensive Expenditure for the year ended 31 March 2013** | 72.0 | **64.9** | **(7.1)** |

NHS and internal movement of staff has meant that the pace of recruitment has been slow for the past 2 years.

At 31 March 2013 there were 73 vacant posts, although many of the business-critical posts have been covered by temporary/agency staff for which sponsor permission has been received. Recruitment slippage has had a consequential impact on some non-pay costs, particularly in the guidance-producing programmes. Additional spending restrictions on communications and marketing activity also reduced non-pay expenditure.

During 2012/13 NICE employed an average of 48 wte agency and seconded staff and incurred no expenditure on consultancy.

**NCAS**

The total net expenditure for NCAS in 2012/13 was £6.6 million (£6.7 million in 2011/12), which was an underspend of £0.9 million against a revenue resource limit of £7.5 million. In 2011/12 NCAS was a directorate of the National Patient Safety Agency (NPSA) and did not have a separately identifiable resource limit.

The £0.9 million underspend generated by NCAS is a result of increased income in the education service and other billed services, project spend cancelled or put on hold – including the national conference pending transition to the NHS Litigation Authority – and various budget savings including contingencies associated with the move into NICE.

The consolidation adjustment of £0.6 million in Table 1 represents the value of the assets and liabilities of NCAS when it transferred into NICE. An equal and opposite loss will be declared in the financial reports of the NPSA.

During 2012/13 NCAS employed an average of 11 wte agency and seconded staff and spent £12,000 on consultancy.

**CAPITAL EXPENDITURE**

The capital budget during 2012/13 was £2.6 million (NICE £2.3 million, NCAS £0.3 million). Of this, £1.7 million was spent by NICE, the majority of which related to the fit out of the new NICE London office (NICE moved from MidCity Place to new rented premises at Spring Gardens in December 2012).

The remaining expenditure related to the purchase of IT equipment. NCAS spent £0.1 million on IT infrastructure and upgrades to its document management systems.

## *HOW IS NICE FUNDED?*

NICE's revenue budget for 2012/13 was £72.0 million. This comprised:

- £71.0 million (£63.8 million NICE, £7.2m NCAS) grant-in-aid funding (Administration/Programme* cash revenue limit)
- £1.0 million (£0.7m NICE, £0.3m NCAS) ring-fenced depreciation limit (non-cash funding).

In addition to the revenue resource limit, NICE's capital resource limit was £2.6 million.

The actual amount of funding drawn down by NICE in 2012/13 was £64.0 million (NICE £57.9 million, NCAS £6.1 million). This was lower than the amount available because of the underspends noted above.

In addition to the funding received from the Department of Health, NICE and NCAS also received £7.3 million operating income from other sources, as follows:

- £2.1 million was received from NHS bodies, the majority from Strategic Health Authority Library Leads (SHALL) to pay for content on the NICE Evidence website. From April 2013, Health Education England is providing the content funding following the dissolution of the strategic health authorities

* For an explanation of Administration and Programme costs see note 7, page 49.

- £2.8 million was received from the devolved administrations and other government departments to contribute to the cost of producing NICE guidance and publication of the British National Formulary
- Trading activities such as NICE International and the Scientific Advice programme generated £1.9 million gross income
- £0.5 million was received from other sources, including recharges for staff seconded to external organisations.

Figure 1 shows the breakdown of income received.

## *HOW THE FUNDING WAS USED*

Figure 2 shows how the money was spent in 2012/13. The main areas of expenditure were external contracts and salaries. Major external contracts were in place with:

- National Collaborating Centres, which help us to produce clinical guidelines and public health guidance
- The Royal Pharmaceutical Society of Great Britain and BMJ Publishing Group to publish the British National Formulary
- External Assessment Centres to assist in providing medical technologies guidance
- Content providers supplying resources that are hosted on NICE Evidence on behalf of Strategic Health Authority Library Leads (SHALL).

## *PROGRAMME COSTS*

Figure 3 shows how the spending was split between NICE's work programmes and the support functions.

Figure 1: Income breakdown (£71.3m)

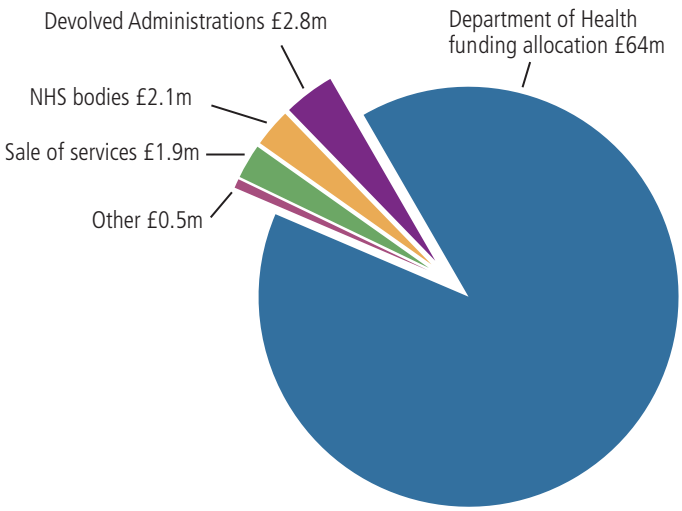



Figure 2: Gross expenditure breakdown (£72.8m)

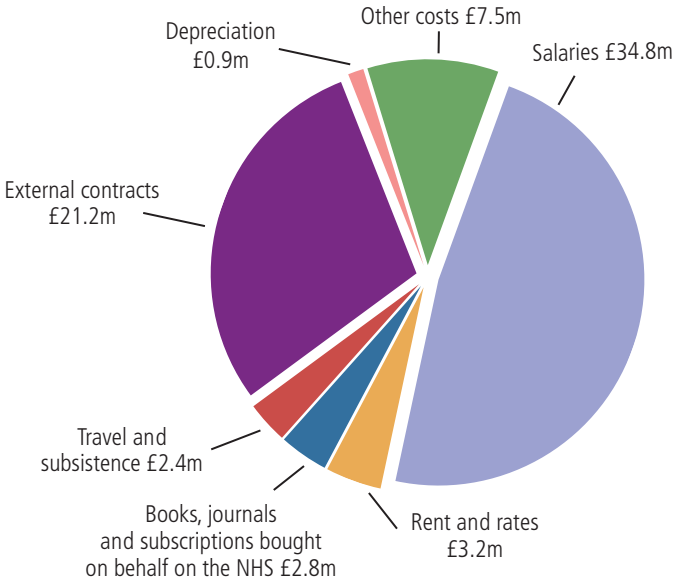
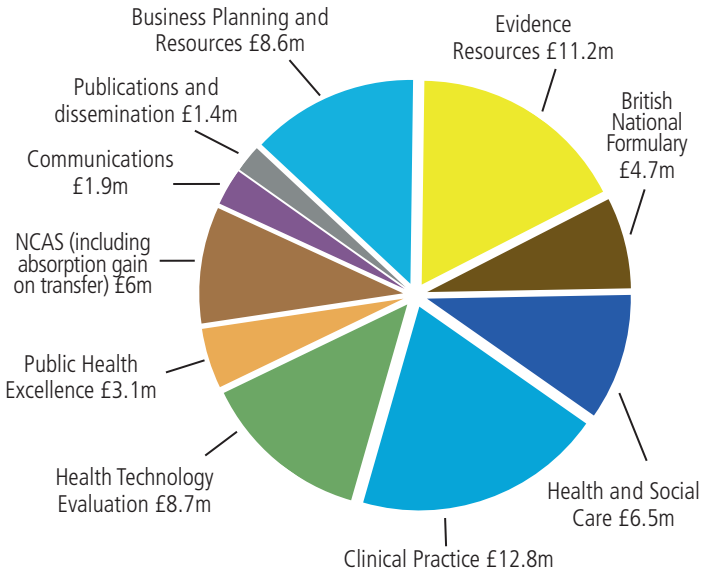



Figure 3: Net work programme costs (£64.9m)



## PENSIONS

Our employees become members of the NHS Pension Scheme when they join NICE unless they choose to opt out. For further information please refer to the remuneration report and note 3 of the accounts.

## 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 two accidents and one incident reported during the year, which were risk-assessed and appropriate action taken. A total of one day was lost due to injury at work.

## EMPLOYEE INVOLVEMENT

We work closely with our staff to inform them of important developments and to involve them in the development of policy and strategy. Arrangements for doing so include a staff involvement forum and formal consultation on major changes. Internal communication is maintained by team briefings, monthly all-staff meetings and regular updates and newsletters.

## SUSTAINABLE DEVELOPMENT

NICE is committed to supporting and promoting climate change issues across all our offices. To help deliver our green commitment, we have a Green group with representatives from across the organisation. The group discusses and works on solutions to issues of environmental impact by the organisation, which have been raised by staff, board members or external stakeholders. Efforts are focused on areas where the carbon impact is most significant.

These include:

- Electricity use
- Staff and non-staff business travel
- Printing of guidance and the British National Formulary (BNF)
- Office waste and recycling.

NICE continues to strive to reduce its carbon impact and aims for a 10% reduction in carbon emissions each year as set out in the 10:10 initiative.

The waste target identified in 2010/11 was to recycle at least 45% of all office waste. In 2012/13 NICE has again exceeded this target, by recycling 65% of all waste. In terms of waste by weight, this represents an 81% increase in recycling compared with 2011/12. This is partly attributable to a change of waste contractor by the landlord in Manchester.

NICE also has internal targets to reduce the amount of printing as part of its digital dissemination strategy and has achieved a 41% reduction in print-related carbon emissions in 2011/12, and a further 6% reduction during 2012/13.

Several initiatives have been undertaken to reduce electricity consumption in our offices. These include ensuring that air conditioning systems are properly maintained, reducing the hours that air conditioning operates, adjustments to lighting sensors, increasing awareness of the need to save energy and working with landlords to ensure electricity usage and billing are as efficient as possible.

NICE's performance is summarised in tables 2–4 and figure 4 on page 18. NICE has followed the 2011/12 HM Treasury guidance, and any exceptions are listed below:

- Financial information was not available for individual elements making up total business travel. NICE will request this information from suppliers in future.
- Financial information was not available for office estate waste as the cost is included in office cleaning and maintenance contracts, where this element is not differentiated. NICE has also changed how it records waste from total number of bags to weight in kilograms, which provides more accurate and comparable figures. The figures for 2011/12 waste have been restated using this method.
- Financial information was not available for office estate water usage as the cost is

Table 2: Sustainable development – summary of performance

| Activity | | 2012/13 |
|---|---|---|
| Business travel including international air travel (miles) | | **2,943,413** |
| Office estate energy | Consumption (kWh) | **1,153,270** |
| | Expenditure (£) | **£130,845** |
| Office estate waste | Consumption (bags) | **99,240** |
| Printing | Paper (tonnes) | **320** |
| | Expenditure (£) | **£95,263** |

Table 3: Estimated carbon emissions

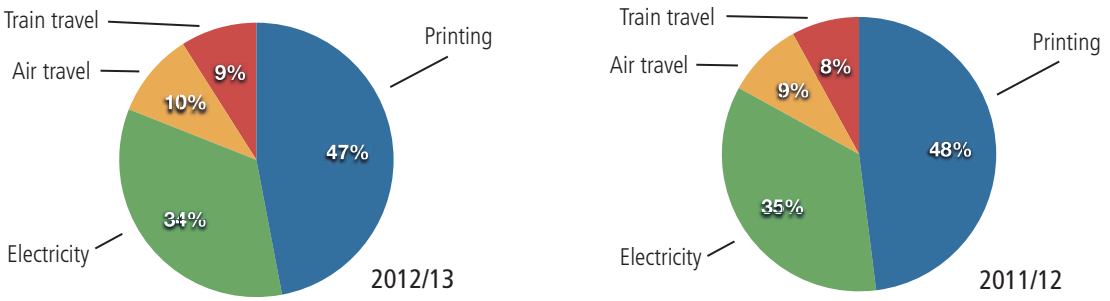
| | 2012/13 | | 2011/12 | |
|---|---|---|---|---|
| **Activity** | **Outturn** | **Carbon tonnes** | Outturn | Carbon tonnes |
| Electricity (kWh) | **1,153,270** | **703** | 1,205,647 | 735 |
| **Scope 2[1] total** | | **703** | | 735 |
| Train travel (miles) | **1,897,092** | **175** | 1,850,593 | 168 |
| Air travel (miles) | **1,046,321** | **212** | 876,457 | 197 |
| Printing (tonnes) | **320** | **963** | 340 | 1,023 |
| **Scope 3[2] total** | | **1,350** | | 1,388 |
| **Total** | | **2,053** | | 2,123 |

[1] Scope 2 emissions relate to energy consumed which is supplied by another party
[2] Scope 3 emissions relate to official business travel paid for by NICE and printing done in the NICE supply chain

Table 4: Waste

| | 2012/13 | 2011/12 |
|---|---|---|
| Non-recycled (kg) | 34,720 | 32,200 |
| Recycled (kg) | 64,520 | 35,652 |
| **Total waste (kg)** | **99,240** | 67,852 |
| Percentage recycled | 65% | 53% |

Figure 4: Activities contributing to greenhouse gas emissions (carbon tonnes)



included in the overall service charge. There are no other uses of finite resources where the use is material.

- NICE currently has no scope 1 carbon emissions, which refers to sources owned by the organisation such as boilers and organisation-owned fleet vehicles.
- Electricity information for our Liverpool office was not available in 2011/12 and no Liverpool office information was included in the 2011/12 annual report. We have this year restated the 2011/12 figures to take account of the Liverpool office, which now allows for more accurate year-on-year comparisons.
- Consideration was given to the impact of NCAS emissions but due to the short hosting period and low level of impact it was decided that these need not be included.

## *EQUALITY AND DIVERSITY*

We are committed to eliminating unlawful discrimination, advancing equality of opportunity, and fostering good relations among people from different groups. We have an equality and diversity policy and an equality scheme that ensures compliance with all relevant legislation and practice, including the Equality Act 2010.

All staff are required to attend equality and diversity training every three years. In addition, staff involved in developing guidance receive training in NICE's approach to equality analysis.

We are also committed to ensuring that all sections of society have the opportunity to be considered for the appointments we make and therefore operate a guaranteed interview scheme for disabled applicants. As well as being fair, we believe that the quality of those appointed will improve if we are able to draw from the widest possible pool of talent.

We make reasonable adjustments for disability – for example, with flexible working arrangements, working from home and adaptations to the working environment. Our flexible working arrangements are also above the requirements under current employment legislation.

We produce an equal opportunities report each year for the Secretary of State for Health that systematically monitors adherence to employment legislation on equality and diversity.

Equality analysis in the development of NICE guidance is essential to achieving compliance with the Equality Act's public sector equality duty and ensuring that, wherever there is sufficient evidence, NICE's recommendations support the efforts of local and national commissioners and professionals to meet their equality obligations.

We also aim for diversity in the membership of the independent advisory bodies responsible for guidance, and we provide chairs and members with training in NICE's equality analysis process.

We complied with new regulations under the Equality Act by using our annual equality report for 2012 to publish information about the effect on equality of our policies and practices, and by publishing our equality objectives for the period 2013 to 2016.

As in previous years, we consulted with the Equality Forum, an annual meeting of people from equality groups that advises our Board on the development and implementation of our equality programme.

## *FREEDOM OF INFORMATION*

NICE has complied with its responsibilities to disclose information under the Freedom of Information Act, including charging for such information, where necessary, in accordance with Treasury guidance.

## *SICKNESS ABSENCE*

During the period January to December 2012 the percentage of days lost due to sickness was 1.7% (2011/12: 2.05%).

## BETTER PAYMENT PRACTICE CODE – MEASURE OF COMPLIANCE

As a public sector organisation NICE is required to pay all non-NHS trade creditors in accordance with the Better Payment Practice Code. The target is to pay 90% of all valid invoices by the due date or within 30 days of receipt of the goods, whichever is the later. NICE's performance against this code is shown below.

| | Number | £000 |
|---|---|---|
| Total non-NHS bills paid 2012/13 | **6,795** | **42,221** |
| Total non-NHS bills paid within target | **6,589** | **41,565** |
| Percentage of non-NHS bills paid within target | **97.0%** | **98.4%** |
| Total NHS bills paid 2012/13 | 364 | 5,786 |
| Total NHS bills paid within target | 350 | 5,599 |
| Percentage of NHS bills paid within target | 96.2% | 96.8% |

The amount owed to trade creditors at 31 March 2013, in relation to the total billed through the year expressed as creditor days, is 13 days (8 days 2011/12).

## REVIEW OF TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTEES – OFF-PAYROLL ENGAGEMENTS

As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, NICE published (via the Department of Health) information about the number of off-payroll engagements that were in place on 31 January 2012 and where costs exceed £58,200 per annum.

| For off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012 | |
|---|---|
| Number in place on 31 January 2012 | 50 |
| *Of which:* | |
| Number that have since come onto the organisation's payroll | 1 |
| *Of which:* | |
| Number that have since been re-negotiated/re-engaged, to include contractual clauses allowing NICE to seek assurance as to their tax obligations | 27 |
| Number that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing NICE to seek assurance as to their tax obligations | 0 |
| Number that have come to an end | 22 |
| **Total** | **50** |

| For all new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months | |
|---|---|
| Number of new engagements | 2 |
| *Of which:* | |
| Number of new engagements which include contractual clauses giving the Department of Health the right to request assurance in relation to income tax and National Insurance obligations | 2 |
| *Of which:* | |
| Number for whom assurance has been requested and received | 0 |
| Number for whom assurance has been requested and not received | 0 |
| Number that have been terminated as a result of assurance not being received | 0 |
| **Total** | **2** |

## *STATUTORY FRAMEWORK*

The accounts for the year ending 31 March 2013 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with the NHS Act 2006 and in a format determined by the Department of Health with the approval of the Treasury.

NICE was established as the National Institute for Clinical Excellence on 26 February 1999 as a special health authority to become operational on 1 April 1999. On 1 April 2005 the National Institute for Health and Clinical Excellence was established, which incorporated the functions of the Health Development Agency, which had been disestablished on 31 March 2005. Founding legislation includes the National Health Services Act 1977 c49, S.I. 1999/220, S.I. 260 and S.I. 2005/497.

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposed the dissolution of NICE as a special health authority, followed by the creation of a new body – the National Institute for Health and Care Excellence (NICE) as a non-departmental public body (NDPB). The Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act 2012. New legislation relevant to NICE includes Health and Social Care Act 2012 c7 and S.I. 2013/259

The change to NICE's statutory status occurred on 1 April 2013 with all the functions of NICE as a special health authority transferring to the NDPB, with funding from the Department of Health to continue. The accounts have therefore been prepared on a going concern basis.

NICE is required to produce an annual report on its activities and finances to the Secretary of State for Health and the Welsh Assembly Government.

## *OTHER INFORMATION*

NICE is aware of one incident during the year related to loss or unauthorised disclosure of protected personal data, details of which are contained in the Governance statement on page 31.

## *AUDITORS*

The auditors carried out only standard audit work, and received no additional payments. The audit fee for 2012/13 was £52,500 and includes travel and subsistence costs. The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The Audit Certificate can be found on pages 34 to 35. The Comptroller and Auditor General is Amyas CE Morse. His address is:

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

## *AUDIT ASSURANCE*

As far as I am aware, there is no relevant audit information of which NICE's auditors are unaware. 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 NICE's auditors are aware of that information.

Signed

Sir Andrew Dillon
Chief Executive and Accounting Officer

Dated 14 June 2013

*Further information about NICE and its activities is available on our website:*
*www.nice.org.uk*

# Remuneration report

The remuneration of the Chair and non-executive directors is set by the Secretary of State for Health.

The salary of the consultant clinician is subject to direction from the Secretary of State and the remuneration of the Chief Executive is subject to approval by the Department of Health. The remuneration of the senior managers detailed in the table on page 24 is set by the Remuneration and Terms of Service Committee, based on Department of Health guidance.

The information contained in the tables of the Remuneration Report has been audited. Information on NICE's remuneration policy and the membership of the Remuneration and Terms of Service Committee can be found on page 10 and has not been audited.

## *PERFORMANCE APPRAISAL*

For all senior managers below executive director level, NICE complies with – and follows the procedures set out in – the NHS National Terms and Appraisal of Service (Agenda for Change). A personal objective-setting process is managed by line managers. This links into the annual appraisals and review process and supports the Knowledge and Skills Framework.

Executive directors take the lead on this process within the areas they are responsible for. They are also subject to performance review, in line with the Very Senior Managers' Pay Framework. Performance-related bonuses are available to Very Senior Managers, as detailed in the Remuneration Report.

## *SUMMARY AND EXPLANATION OF POLICY ON DURATION OF CONTRACTS, AND NOTICE PERIODS AND TERMINATION PAYMENTS*

**TERMS AND CONDITIONS: CHAIRS AND NON-EXECUTIVES**

For Chairs and non-executive members of NICE the terms and conditions are laid out below.

**STATUTORY BASIS FOR APPOINTMENT**

Chairs and non-executive members of special health authorities hold a statutory office under the National Health Service Act 1977. Their appointment does not create any contract of service or contract for services between them and the Secretary of State or between them and NICE.

**EMPLOYMENT LAW**

The appointments of the Chair and non-executive members of NICE are not within the jurisdiction of Employment Tribunals. Neither is there any entitlement for compensation for loss of office through employment law.

**REAPPOINTMENTS**

Chairs and non-executive members are eligible for reappointment at the end of their period of office, but they have no right to be reappointed. The Department of Health will usually consider afresh the question of who should be appointed to the office. However, the Department of Health is likely to consider favourably a second term of appointment without competition for people whose performance has been appraised as consistently good during their first term.

If reappointed, further terms will only be considered after open competition, subject to a maximum service usually of 10 years with the same organisation and in the same role.

**TERMINATION OF APPOINTMENT**

Regulation 5 of the NHS Regulations sets out the grounds for terminating an appointment. A Chair or non-executive member may resign by giving notice in writing to the Secretary of State or the Department of Health. Their appointment will also be terminated if, in accordance with regulations, they become disqualified for the post. In addition, the Department of Health may terminate the appointment of the Chair and non-executive members on the following grounds:

- if it believes that it is not in the interests of NICE or the NHS for them continue to hold office
- if the Chair or non-executive member does not attend a NICE meeting for a period of 3 months
- if they fail to disclose a pecuniary interest in matters under discussion at a NICE meeting.

There is no provision in NICE's annual accounts for the early termination of any non-executive director's appointment.

The following list provides examples of when it may be no longer in the interests of the health service for the appointee to continue in office. The list is not exhaustive or definitive; the Department of Health will consider each case on its merits, taking account of all relevant factors:

- if an annual appraisal or sequence of appraisals is unsatisfactory
- if the appointee no longer enjoys the confidence of the Board
- if the appointee loses the confidence of the public
- if a Chair fails to ensure that the Board monitors the performance of NICE effectively
- if work is not delivered against pre-agreed targets as part of their annual objectives
- if there is a breakdown in essential relationships, for example, between a Chair and a Chief Executive or between an appointee and the rest of the Board
- if a newly appointed Chair, on reviewing the objectives of the Board members, recommends to the Department of Health that an appointment is discontinued.

**REMUNERATION**

Under the Act, the Chair and non-executive members are entitled to be remunerated by NICE for so long as they continue to hold office. There is no entitlement to compensation for loss of office.

**CONFLICT OF INTEREST**

NHS boards are required to adopt the Codes of Conduct and Accountability, published in April 1994. The Codes require 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 a register which is available to the public.

**INDEMNITY**

NICE is empowered to indemnify the Chair and non-executive members against personal liability which they may incur in certain circumstances while carrying out their duties.

## *TERMS AND CONDITIONS: NICE EXECUTIVE*

**BASIS FOR APPOINTMENT**

All executive directors are appointed on a permanent basis under a contract of service at an agreed annual salary with eligibility to claim allowances for travel and subsistence costs, at rates set by NICE, for expenses incurred on its behalf.

**TERMINATION OF APPOINTMENT**

An executive director has to give 3 months notice. NICE will give an executive director 6 months' notice for any substantive reason other than incapacity. In the case of incapacity, NICE will give 6 months' notice once sick pay allowances have been exhausted. There is no provision for compensation included in NICE's annual accounts for the early termination of any executive director's contract of service.

# SALARIES AND ALLOWANCES – SENIOR MANAGERS' REMUNERATION

| | | 2012/13 | | | 2011/12 | | |
|---|---|---|---|---|---|---|---|
| **Name** | **Title** | **Salary (bands of £5,000) £000** | **Other remuneration including bonus payments (bands of £5,000) £000** | **Benefits in kind (rounded to the nearest £00)** | **Salary (bands of £5,000) £000** | **Other remuneration including bonus payments (bands of £5,000) £000** | **Benefits in kind (rounded to the nearest £00)** |
| Prof Sir Michael Rawlins (1) | Chair | 60 to 65 | nil | nil | 60 to 65 | nil | nil |
| Prof David Haslam (2) | Shadow Chair | 15 to 20 | nil | nil | nil | nil | nil |
| Dr Margaret Helliwell | Vice Chair | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Mercy Jeyasingham MBE (1) | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Prof Helen Roberts (1) | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Jenny Griffiths OBE (1) | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Jonathan Tross CB | Non-Executive Director | 10 to 15 | nil | nil | 10 to 15 | nil | nil |
| Prof Rona McCandlish | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Prof Patrick Morrison (1) | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Andrew McKeon (3) | Non-Executive Director | 0 to 5 | nil | nil | 0 to 5 | nil | nil |
| Prof David Hunter | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Linda Seymour | Non-Executive Director | 5 to 10 | nil | nil | 5 to 10 | nil | nil |
| Sir Andrew Dillon | Chief Executive | 180 to 185 | nil | nil | 180 to 185 | nil | nil |
| Prof Gillian Leng CBE (4) | Deputy Chief Executive and Evidence and Practice Director | nil | nil | nil | 160 to 165 | nil | nil |
| Prof Gillian Leng CBE (5) | Deputy Chief Executive and Health and Social Care Director | 170 to 175 | nil | nil | 5 to 10 | nil | nil |
| Prof Carole Longson | Health Technology Evaluation Centre Director | 125 to 130 | nil | nil | 125 to 130 | nil | nil |
| Prof Michael Kelly | Public Health Excellence Director | 105 to 110 | nil | nil | 105 to 110 | nil | nil |
| Ben Bennett | Business Planning and Resources Director | 115 to 120 | nil | nil | 115 to 120 | nil | nil |
| Jane Gizbert | Communications Director | 105 to 110 | nil | nil | 105 to 110 | nil | nil |
| Alexia Tonnel (6) | Evidence Resources Director | 115 to 120 | nil | nil | 5 to 10 | nil | nil |
| Prof Mark Baker (7) | Clinical Practice Centre Director | 115 to 120 | nil | nil | nil | nil | nil |

(1) Until 31/03/2013
(2) Shadow Chair from 1/1/2013
(3) Unpaid Non-Executive Director from 01/05/2011 to 31/12/2012
(4) Evidence & Practice Directorate restructured and two new directorates created. End of Evidence & Practice Director role 11/03/2012
(5) Start of Health & Social Care Director role 12/03/2012 (following point 4)
(6) Appointed Evidence Resources Director 12/03/2012
(7) Appointed Clinical Practice Centre Director 02/04/2012, opted out of Pension Scheme

## PENSION BENEFITS – SENIOR MANAGEMENT

| Name | Title | Real increase in pension at 60 (bands of £2,500) £000 | Lump sum at age 60 related to real increase in pension (bands of £2,500) £000 | Total accrued pension at age 60 at 31 March 2013 (bands of £5,000) £000 | Lump sum at age 60 related to accrued pension at 31 March 2013 (bands of £5,000) £000 | Cash Equivalent Transfer Value at 31 March 2013 £000 | Cash Equivalent Transfer Value at 31 March 2012 £000 | Real increase in Cash Equivalent Transfer Value £ |
|---|---|---|---|---|---|---|---|---|
| Sir Andrew Dillon | Chief Executive | (0 to 2.5) | (5 to 7.5) | 85 to 90 | 255 to 260 | 1,947 | 1,841 | 10,334 |
| Prof Gillian Leng CBE (1,2) | Deputy Chief Executive and Health and Social Care Director | (0 to 2.5) | (0 to 2.5) | 45 to 50 | 140 to 145 | 905 | 845 | 16,092 |
| Prof Carole Longson | Health Technology Evaluation Centre Director | 0 to 2.5 | 0 to 2.5 | 15 to 20 | 55 to 60 | 357 | 319 | 21,574 |
| Prof Michael Kelly | Public Health Excellence Director | (0 to 2.5) | (2.5 to 5) | 45 to 50 | 145 to150 | 0 | 1,115 | |
| Ben Bennett | Business Planning and Resources Director | (0 to 2.5) | (0 to 2.5) | 40 to 45 | 130 to 135 | 815 | 766 | 9,231 |
| Jane Gizbert | Communications Director | 0 to 2.5 | 0 | 5 to 10 | 0 | 113 | 85 | 22,762 |
| Alexia Tonnel (3) | Evidence Resources Director | 0 to 2.5 | 0 | 0 to 5 | 0 | 19 | 1 | 18,281 |
| Prof Mark Baker (4) | Clinical Practice Centre Director | nil | nil | nil | nil | nil | nil | nil |

(1) Evidence & Practice Directorate restructured and two new directorates created. End of Evidence & Practice Director role 11/03/2012
(2) Start of Health & Social Care Director role 12/03/2012 (following point 1)
(3) Appointed Evidence Resources Director 12/03/2012
(4) Appointed Clinical Practice Centre Director 02/04/2012, opted out of Pension Scheme

## *HIGHEST PAID DIRECTOR*

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in NICE in the financial year 2012/13 was £180k–185k (2011/12: £180k–£185k). This was 4.5 times (2011/12: 4.5) the median remuneration of the workforce, which was £40,157 (2011/12: £40,157).

In 2012/13, no employees (2011/12: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8k to £174k (2011/12, £8k–£174k)

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

- the highest paid Director remuneration has not changed between 2011/12 and 2012/13
- senior managers are subject to a pay freeze with no bonuses being made during 2012/13
- median pay remains the same during 2011/12 and 2012/13
- all staff pay was subject to pay freezes in relation to inflationary increases
- staff numbers have increased from 508 in 2011/12 to 600 in 2012/13; the composition of permanent and other staff can be seen in note 3 of the accounts.

## *CASH EQUIVALENT TRANSFER VALUES*

A Cash Equivalent Transfer Value (CETV) 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 pension payable from the Scheme. A CETV is a payment made by a Pension Scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the Pension Scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the Scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## *REAL INCREASE IN CETV*

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Signed
Sir Andrew Dillon
Chief Executive and Accounting Officer
14 June 2013

# ACCOUNTS 2012/13

## Statement of the Board's and Chief Executive's responsibilities

Under the National Health Service Act 2006, the Secretary of State with the approval of HM Treasury has directed the National Institute for Health and Clinical Excellence (NICE) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of NICE's state of affairs at the year end and of its net expenditure, changes in taxpayer's equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Accounting Officer for the Department of Health has appointed the Chief Executive of the National Institute for Health and Clinical Excellence as the Accounting Officer for NICE. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NICE's assets, are set out in the Government Financial Reporting Manual published by HM Treasury.

Signed

Sir Andrew Dillon
Accounting Officer
14 June 2013

# Governance statement

## *SCOPE OF RESPONSIBILITY*

As Accounting Officer, I have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of NICE's policies, aims and objectives while safeguarding the public funds and the departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

## *THE GOVERNANCE FRAMEWORK OF THE ORGANISATION*

NICE works closely with the Department of Health and with the Welsh Assembly Government under a Service Level Agreement and arrangements are in place for regular performance monitoring and review.

The primary statutory functions of NICE are the development and dissemination of clinical and public health guidance to the NHS and local government. With the enactment of the Health and Social Care Act 2012 the government has extended the remit of NICE's activities to the development of guidance and quality standards for social care, which is effective from 1 April 2013 when the status of NICE changed from a special health authority to a non-departmental public body (NDPB).

The management structure of NICE consists of a Board of nine non-executive and four executive members with a balance of skills and experience appropriate to its responsibilities to provide leadership and strategic direction for the organisation. The Board is collectively accountable to the Secretary of State for Health, through the Chair, for the strategic direction of NICE, for ensuring a sound system of internal control through its governance structures and for putting in place arrangements for securing assurance about the effectiveness of that system.

The non-executive directors were appointed by the Appointments Commission and in 2012/13 all executive and non-executive directors had an annual review of their performance. The outcome demonstrated an effective Board, performing well.

Public Board meetings consider reports on strategic issues facing NICE and its performance against business targets. In addition, the Board reviews finance reports, the business plan, project-specific papers on the main developments in NICE business, reports from all directors on activity within their departments and reports from Board committees. All papers are reviewed by the Senior Management Team before submission to the Board. The Board's position on these papers is recorded in the minutes.

The Board held a two-day meeting in October 2012 where it agreed key activities to support the strategic objectives for the following three years. These included managing the transition to NDPB status, the digital strategy, further developing NICE's working relationship with local government and arrangements for managing new responsibilities in relation to social care.

In late 2012 a Shadow Board was appointed to facilitate the transition to NDPB status. The Shadow Board met twice in February and March to review the governance measures in place to support the transition. These included the arrangements for the transfer of NICE staff to the new NDPB, the appointment of non-executive directors to the new Board, a review of the 2013/14 business plan and consideration of a position statement on the Francis Report.

The Department of Health regularly assesses the extent to which NICE has met its statutory obligations at quarterly monitoring meetings and it has been broadly satisfied with the progress made.

Management actions to support the attainment of NICE's policies, aims and objectives while safeguarding public funds are discharged by the Senior Management Team of NICE directors.

The Senior Management Team provides regular reports to the Board to enable them to discharge their responsibilities and supports the Board by:

- developing strategic options for the Board's consideration and approval
- preparing an annual business plan
- delivering the objectives set out in the business plan through delegation of specific responsibilities and active business management
- preparing and operating a set of policies and procedures which have the effect of both motivating and realising the potential of NICE staff
- designing and operating arrangements to secure the proper and effective control of NICE's resources
- constructing effective relationships with partner organisations and maintaining good communications with the public, the NHS and industry.

The Board is supported by three committees dealing with audit and risk management, human resources and remuneration, and they scrutinise specific business activities on behalf of the Board.

The function of the Audit Committee is to provide assurance to the Board and Accounting Officer on the adequacy and effectiveness of NICE's systems of internal control and its arrangements for risk management, control and governance processes, as well as securing efficiency and effectiveness in the way NICE goes about its work. The committee was renamed the Audit and Risk Committee from 1 April 2013.

The Audit Committee meets four times a year and has received reports from Internal Audit in a range of areas. It has drawn particular assurance from the positive reports on quality standards, the NICE Accreditation Programme, the transfer to NDPB status and the effectiveness of risk management arrangements. The overall opinion of the Audit Committee based on the audit work and related papers is that the control and governance processes are well designed and effectively implemented, and may be relied on by the Board. In June 2012 the Board considered an Audit Committee self-assessment and concluded that the arrangements were well structured and effective.

The Human Resources Committee meets up to four times a year and monitors the implementation of HR strategies agreed by the Senior Management Team and the Board and ensures there is consistency and coherence in the strategic management of HR matters. The Committee receives information on HR issues prior to submission to the Board, reviews responses to the staff survey and supports the development of the overall HR management plan. The Committee considered key workforce developments and employment trends during the year as part of its remit. In September 2012 the Committee was reconstituted as the Human Resources and Clinical Revalidation Committee.

Attendance at all committees was almost 100 per cent and details are on our website.

During 2012/13 NICE hosted the National Clinical Assessment Service (NCAS), which is responsible for helping to improve patient safety by reviewing concerns about the professional practice of doctors, dentists and pharmacists. It retained its existing management while NICE maintained responsibility for its corporate governance and financial control. The principal risks in relation to NCAS related to the identification and management of potential liabilities to NICE arising from the hosting of NCAS and its transfer out to the NHS Litigation Authority. These were managed through regular liaison

between the Business Planning and Resources Director and the interim director of NCAS to identify any emerging risks. The interim director regularly attended NICE Senior Management Team meetings to appraise senior managers of current issues.

Taking all the above factors into account I am satisfied that the governance structure complies with the Code of Practice for Corporate Governance in Central Government Departments in so far as it is relevant to NICE.

## *RISK ASSESSMENT*

The Audit Committee challenges and scrutinises the operation of the risk management processes and reports to the Board on the effectiveness of the risk management process. The Senior Management Team acts as the risk management group and reviews the risk register. Managers are required to consider risk issues in the annual business planning processes and also in relation to any changes that arise during the year. They receive appropriate support and guidance in this from the Governance Manager.

When unforeseen adverse events occur NICE has processes in place to carry out a retrospective review of the causes so that the underlying risks can be identified and reassessed, and appropriate management action taken.

Managers assess risks to their business objectives, establish controls to mitigate them and provide assurance to the Audit Committee that the controls they have put in place are effective. In doing so they consider the resources available, the complexity of the task, external factors that may impact on the work of NICE and the level of engagement required with partners and stakeholders.

As NICE takes on additional functions, new projects inevitably attract a higher risk premium and this is acknowledged in NICE's risk appetite statement agreed by the Board. The statement of risk appetite informs the acceptance of an appropriate level of risk for any given business objective.

Our high public profile is an additional consideration in assessing reputational risk. The level of transparency of our methods and processes and the extent of public scrutiny are essential to the robustness and credibility of our guidance and advice but this needs to be balanced against the importance of maintaining robust standards of information security.

The review of strategic risks has identified the following issues, which will continue to be closely managed:

- changes taking place in the new health and social care system cause NICE to lose visibility and impact
- new programmes added to NICE's portfolio strain the available corporate management capacity
- NICE fails to engage sufficiently with local government and wider social care audiences, compromising the impact of our new social care guidance and standards
- NICE guidance, standards and evidence services and the way they are made available are not sensitive enough to changes in the needs of users and so their utility and value for money reduces
- failure to establish effective working arrangements with NHS England, Public Health England and the Care Quality Commission compromise their and our own contribution and effectiveness
- NICE's position as the preferred provider of guidance and standards is threatened by competition as clinical commissioning groups explore their local flexibility.

## INFORMATION GOVERNANCE

The work to meet government requirements on ensuring the security of personal data held by NICE has been reported to the Audit Committee and the Board.

NICE does not handle sensitive personal data in medical records as part of its general

functions. Where other sensitive personal information is held it is not usual for it to be transferred on portable media and it is closely controlled within the systems that process it.

NICE is implementing guidance from the Department of Health on information governance on a risk-assessed basis, which will be reported to the Audit Committee and the Board. Board-level responsibility for the management of information risk rests with the Business Planning and Resources Director, who is the Senior Information Risk Owner.

All significant information risks are included in the risk register and reported to the Senior Management Team and Audit Committee.

Policies and procedures for managing the security of personal data are being reviewed in light of guidance from the Department of Health, and equivalent standards remain applicable following NICE's transfer to NDPB status, to underpin the standards for information governance. Staff have been reminded of what to be alert for in the handling of sensitive personal data as defined by the Department of Health and training will be provided as required.

Further work will be undertaken to strengthen our long-term IT strategy to support our information governance standards and to reflect future needs as NICE expands. This will include a three-year digital strategy to support various aspects of information management at NICE.

An information risk assessment is completed each year and reported to the Audit Committee for review. There was one Serious Untoward Incident involving sensitive personal data during 2012/13 relating to a single individual. This occurred when comments from a carer consultee were posted on the website in error in contravention of an explicit wish for the comments to be kept confidential. Although the individual's name was not published, limiting the risk of identification, the comments were personal data.

The Audit Committee considered this matter and four other incident reports relating to disclosure of other confidential information. Two of these related to an economic model containing commercial in-confidence data that was sent to the wrong manufacturer on two separate occasions. The third concerned premature publication of draft NICE guidance on the NICE website. The final incident related to a contractor losing a laptop that contained commercial in-confidence information.

In all cases remedial action was promptly taken to strengthen controls and the residual risk is considered low.

In November 2012 a flood in the basement of the Manchester office resulted in a general power failure to the building, the shutdown of all IT systems, loss of physical security to the offices as electromagnetic locks were neutralised, and an emergency switch to backup systems.

Management action was immediately taken in line with our business continuity policy to restore power, protect business critical systems, alert staff to the incident and to work with the landlord to bring the offices back into operation. There was no loss of any sensitive information.

### *THE RISK AND CONTROL FRAMEWORK*

I have responsibility for maintaining a sound system of internal control that supports the achievement of NICE's policies, aims and objectives. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks. Risk management assessment is carried out annually by the Senior Management Team as part of the business planning process. Key risks and handling strategies are included in the business plan and reported to the Board.

These are reviewed quarterly by the Audit Committee and are informed by the work of internal and external audit. Resources required to enable implementation of the plan are fully considered by the Senior Management Team and assigned a priority within the overall constraints of NICE.

Where appropriate, local risk registers are maintained within programmes and significant issues escalated through the reporting process for Senior Management Team and Audit Committee scrutiny. NCAS continued to maintain its own risk register, which was reviewed by the Audit Committee and significant issues were incorporated in the strategic risk register. A separate risk assessment exercise was carried out to establish the Board's assurance framework and to identify areas of organisational risk. This included a review of NICE's systems, quality standards, policies and the digital strategy.

These assessment exercises resulted in a prioritised risk management register highlighting the key controls in place and assurances on those controls. This was reported to the Audit Committee. The minutes of the meetings of the Audit Committee are received by the Board at its public meetings.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on a continuous process designed to identify and prioritise the risks to the achievement of departmental aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at NICE for the year ended 31 March 2013 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. NICE's Assurance Framework includes the identification and documentation of risks that are drawn from the business planning processes. These are monitored through Senior Management Team meetings, the Audit Committee and by the Board.

## *SIGNIFICANT ISSUES*

There have been no significant lapses in governance arrangements or serious untoward incidents that required escalation outside of NICE management structures.

## *REVIEW OF THE EFFECTIVENESS OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of corporate governance and internal control. My review is informed by the work of the internal auditors, the managers who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter. I have been advised on the implications of the result of my review by the Board and the Audit Committee and a plan to ensure continuous improvement of the systems is in place.

The effectiveness of the system of internal control has been subject to review by our internal auditors who, in liaison with the external auditors, plan and carry out a programme of work that is approved by the Audit Committee to review the design and operation of the systems of corporate governance and internal financial control. Where areas for improvement have been identified these are reported to the Audit Committee and an action plan agreed with management to implement the recommendations agreed.

In 2012/13, Internal Audit completed six assessments and one advisory report. These

included assessments on quality standards, the NICE Accreditation Programme and the management arrangements in place for the transfer to NDPB status. All of the assessments provided substantial assurance that the controls NICE relies on to manage risk are suitably designed, consistently applied and effective.

Internal Audit completed three reports relating to NCAS. These focused on the effectiveness of the arrangements for the transfer in of NCAS, the transfer of financial balances and key financial controls, and the arrangements for the transfer out to the NHS Litigation Authority. Two of these reports provided substantial assurance that the controls relied on were suitably designed, consistently applied and effective, and the third provided reasonable assurance that the controls in place were effective.

Internal Audit made various observations in their most recent advisory report on risk maturity and, where supported by the Audit Committee, these will be incorporated into future work as part of a continuing process of strengthening and refinement of the risk management process.

Control measures are in place to ensure that NICE's obligations under equality, diversity and human rights legislation are complied with and these have been reported to, and approved by, the Board.

The Head of Internal Audit Opinion states: *'Based on the work undertaken in 2012/13 significant assurance can be given that there is a sound system of internal control which is designed to meet the organisation's objectives, and that controls are being consistently applied in all the areas reviewed.'*

Sir Andrew Dillon
Chief Executive and Accounting Officer
14 June 2013

# Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the National Institute for Health and Clinical Excellence for the year ended 31 March 2013 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## *RESPECTIVE RESPONSIBILITIES OF THE BOARD, ACCOUNTING OFFICER AND AUDITOR*

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## *SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS*

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

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

## *OPINION ON REGULARITY*

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

## *OPINION ON FINANCIAL STATEMENTS*

In my opinion:

- the financial statements give a true and fair view of the state of National Institute for Health and Clinical Excellence's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

## *OPINION ON OTHER MATTERS*

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## *MATTERS ON WHICH I REPORT BY EXCEPTION*

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

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

## *REPORT*

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

Dated: 20 June 2013

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2013

| | Notes | 2012/13 NICE £000 | 2012/13 NCAS £000 | 2012/13 Total £000 | 2011/12 Total £000 |
|---|---|---|---|---|---|
| **Expenditure** | | | | | |
| Staff costs (before recoveries of outward secondments) | 3 | **29,901** | **4,947** | **34,848** | 29,615* |
| Depreciation & amortisation | 4 | **527** | **362** | **889** | 681 |
| Other expenditures | 4 | **34,520** | **2,524** | **37,044** | 34,539 |
| | | **64,948** | **7,833** | **72,781** | 64,835 |
| **Income** | | | | | |
| Income from activities | 6 | **(6,064)** | **(1,205)** | **(7,269)** | (5,659)* |
| Gains on transfer by absorption | 6 | **(557)** | **0** | **(557)** | 0 |
| | | **(6,621)** | **(1,205)** | **(7,826)** | (5,659) |
| **Total Comprehensive Expenditure for the year ended 31 March 2013** | | **58,327** | **6,628** | **64,955** | 59,176 |

NICE has, for the year 1 April 2012 to 31 March 2013, hosted the National Clinical Assessment Service (NCAS) before its transfer on 1 April 2013 to the NHS Litigation Authority. The note above details the transactions for NICE and NCAS for the year 2012/13. The 2011/12 figures alongside are those for NICE only.

*In prior years income received in respect to staff seconded out was netted off against staff costs. To align with Department of Health reporting, we have not netted this off in 2012/13 and have restated the 2011/12 figures to take account of this adjustment. The restatement increased the 2011/12 staff costs from £29,397k to £29,615k and income was increased from £5,441k to £5,659k. The Net Expenditure remained unchanged.

The notes at pages 40 to 59 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

| | Notes | **31 March 2013 £000** | 31 March 2012 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **2,910** | 1,684 |
| Intangible assets | 8 | **332** | 83 |
| Non-current receivables | 9 | **0** | 0 |
| **Total non-current assets** | | **3,242** | 1,767 |
| **Current assets** | | | |
| Trade and other receivables | 9 | **1,917** | 2,494 |
| Other current assets | 9 | **2,433** | 2,774 |
| Cash and cash equivalents | 10 | **490** | 387 |
| **Total current assets** | | **4,840** | 5,655 |
| **Total assets** | | **8,082** | 7,422 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **(4,197)** | (2,357) |
| **Total current liabilities** | | **(4,197)** | (2,357) |
| **Non-current assets less net current liabilities** | | **3,885** | 5,065 |
| **Non-current liabilities** | | | |
| Provisions for liabilities and charges | 12 | **(1,781)** | (2,006) |
| **Total non-current liabilities** | | **(1,781)** | (2,006) |
| **Assets less liabilities** | | **2,104** | 3,059 |
| **Taxpayers' equity** | | | |
| General fund | | **2,037** | 2,991 |
| Revaluation reserve | | **67** | 68 |
| | | **2,104** | 3,059 |

NICE has, for the year 1 April 2012 to 31 March 2013, hosted the National Clinical Assessment Service (NCAS) before its transfer on 1 April 2013 to the NHS Litigation Authority. The balances for the year 2012/13 include both NICE and NCAS. The 2011/12 figures alongside are those for NICE only. The movement in the current year of the Statement of Financial Position relating to NCAS can be found in note 21.

The financial statements were approved by the Board on 13 June 2013 and signed by

Sir Andrew Dillon, Accounting Officer 14 June 2013

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

| | Notes | 2012/13 £000 | 2011/12 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net surplus after cost of capital and interest | | **(64,955)** | (59,176) |
| Adjustments for non-cash transactions | 4,6 | **756** | 1,809 |
| (Increase)/Decrease in trade and other receivables | 9 | **918** | (2,078) |
| Increase/(Decrease) in trade and other payables | 11 | **1,840** | 597 |
| Less movements in payables relating to items not passing through the Statement of Comprehensive Expenditure | 11 | **(288)** | 0 |
| Use of provisions | 12 | **(632)** | (168) |
| **Net cash outflow from operating activities** | | **(62,361)** | (59,016) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 8,11 | **(1,421)** | (160) |
| Purchase of intangible assets | 8 | **(118)** | 0 |
| Proceeds of disposal of property, plant and equipment | | **3** | 0 |
| **Net cash outflow from investing activities** | | **(1,536)** | (160) |
| **Cash flows from financing activities** | | | |
| Net Parliamentary funding | | **64,000** | 59,000 |
| **Net financing** | | **103** | (176) |
| **Net increase/(decrease) in cash equivalents in the period** | | **103** | (176) |
| **Cash and cash equivalents at the beginning of the period** | | **387** | 563 |
| **Cash and cash equivalents at the end of the period** | | **490** | 387 |

The notes at pages 40 to 59 form part of these accounts.

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2013

| | General [1] fund £000 | Revaluation [2] reserve £000 | Total reserves £000 |
|---|---|---|---|
| Balance at 1 April 2011 | 3,154 | 81 | 3,235 |
| **Changes in taxpayers' equity for 2011/12** | | | |
| Funding from parent | 59,000 | | 59,000 |
| Transfers between reserves | 13 | (13) | 0 |
| Comprehensive expenditure for the year | (59,176) | | (59,176) |
| Movements in reserves | 0 | 0 | 0 |
| **Balance at 1 April 2012** | **2,991** | **68** | **3,059** |
| **Changes in taxpayers' equity for 2012/13** | | | |
| Funding from parent | 64,000 | | 64,000 |
| Transfers between reserves | 1 | (1) | 0 |
| Comprehensive expenditure for the year | (64,955) | | (64,955) |
| Movements in reserves | 0 | 0 | 0 |
| **Balance at 31 March 2013** | **2,037** | **67** | **2,104** |

[1] The General Fund represents the net assets vested in NICE (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities and Parliamentary funding provided.

[2] The Revaluation Reserve contains the equity movement arising from the revaluation of property, plant and equipment.

# Notes to the accounts

## *1. ACCOUNTING POLICIES*

The financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NICE for the purpose of giving a true and a fair view has been selected. The particular policies adopted by NICE are described below. They have been consistently applied in dealing with items that are considered material to the accounts.

### 1.1 ACCOUNTING CONVENTION

This account is prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

### 1.2 GOING CONCERN

The Health and Social Care Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act 2012. NICE's status changed on 1 April 2013 from that of a special health authority to a non-departmental public body. All the current functions transferred to the new organisation and funding from the Department of Health will continue. It is therefore considered appropriate to prepare the 2012/13 financial statements on a going concern basis.

### 1.3 ACQUISITIONS, MERGERS AND DISCONTINUED OPERATIONS

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

### 1.4 TRANSFORMING COMMUNITY SERVICES

Under the Transforming Community Services initiative, services historically provided by PCTs have transferred to other providers – notably NHS Trusts and NHS Foundation Trusts. Services provided by arms length bodies have also been rationalised and redistributed to other NHS bodies. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated.

Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Net Expenditure (SOCNE), and is disclosed separately from operating costs.

Absorption accounting was applied in the transfer of the National Clinical Assessment Service (NCAS) to NICE.

### 1.5 INCOME

Income is accounted for applying the accruals convention. The main source of funding for NICE is Parliamentary grant from the Department of Health from Request for Resources within an approved cash limit, which is credited to the General Fund. Parliamentary funding is recognised in the financial period in which the cash is received.

Operating income is income which relates directly to the operating activities of NICE. It principally comprises fees and charges for services provided on a full-cost basis to external customers, but it also includes other income such as that from the Department of Health, NHS Quality Improvement Scotland and the Welsh Assembly. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

### 1.6 TAXATION

NICE is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

**1.7 EMPLOYEE BENEFITS**

*Short-term employee benefits* Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

**1.8 NON-CURRENT ASSETS**

*a. Capitalisation*

All assets falling into the following categories are capitalised:

i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000

ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred per licence

iii Property, plant and equipment assets which are capable of being used for more than one year, and which:
- individually have a cost equal to or greater than £5,000
- collectively have a cost of at least £5,000, and an individual cost of more than £250, where the assets are functionally interdependent, and had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control, or
- form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

iv Desktop and laptop computers are not capitalised.

*b. Valuation*

INTANGIBLE ASSETS

Intangible assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

i In periods of hyperinflation operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

ii Leasehold improvement assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any assets under the control of a contractor.

iii All adjustments arising from indexation and revaluations are taken to the Revaluation Reserve. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

No indexation was applied to any asset class during 2012/13.

*c. Depreciation and amortisation*

Depreciation is charged on each fixed asset as follows:

i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets: 3–10 years

ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives: 3–10 years

iii Assets under construction are not depreciated

iv Leasehold improvements are depreciated over 10 years, except where the lease will not be renewed in which case it will then be the remaining life of the lease

v Each equipment asset is depreciated evenly over the expected useful life:

| | |
|---|---|
| Furniture | 10 years |
| Office, IT and other equipment | 3–5 years |

**1.9 STOCKS AND WORK IN PROGRESS**

The net realisable value of publication stocks is nil. NICE has no other stocks or work in progress.

### 1.10 LOSSES AND SPECIAL PAYMENTS

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had NICE not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

### 1.11 FOREIGN EXCHANGE

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

### 1.12 LEASES

All operating leases and the rentals are charged to the Net Expenditure Account on a straight-line basis over the term of the lease. NICE has no finance leases.

### 1.13 PROVISIONS

NICE provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

### 1.14 CASH AND CASH EQUIVALENTS

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The components that make up cash and cash equivalents are not analysed in the financial statements as NICE only holds cash.

### 1.15 FINANCIAL INSTRUMENTS

**Financial assets**

Financial assets are recognised on the Statement of Financial Position when NICE becomes party to the financial instrument contract or, in the case of trade debtors, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through Net Expenditure Account'; 'held to maturity investments'; 'available for sale' financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial assets at fair value through Net Expenditure Account*

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through the Net Expenditure Account. They are held at fair value, with any resultant gain or loss recognised in the Net Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

*Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

*Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the Revaluation Reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Net Expenditure Account on de-recognition.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, NICE assesses whether any financial assets, other than those held at 'fair value through Net Expenditure Account' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Net Expenditure Account and the carrying amount of the asset is reduced directly, or through a provision for impairment of debtors.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Net Expenditure Account to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Financial liabilities**
Financial liabilities are recognised on the Statement of Financial Position when NICE becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through Net Expenditure Account' or other financial liabilities.

*Financial liabilities at fair value through Net Expenditure Account*
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through the Net Expenditure Account. They are held at fair value, with any resultant gain or loss recognised in the Net Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

*Other financial liabilities*
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

**1.16 PENSIONS**
Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions

The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme's assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution Scheme: the cost to the NHS body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

**1.17 IFRSs, AMENDMENTS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE, OR ADOPTED**

*IAS 8*, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the accounting period.

The change to the FReM is not anticipated to have a future material impact on the financial statements of NICE.

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012/13. The application of the Standards as revised would not have a material impact on the accounts for 2012/13, were they applied in that year:

*IAS 27* Separate Financial Statements – subject to consultation

*IAS 28* Investments in Associates and Joint Ventures – subject to consultation

*IFRS 9* Financial Instruments – subject to consultation

*IFRS 10* Consolidated Financial Statements – subject to consultation

*IFRS 11* Joint Arrangements – subject to consultation

*IFRS 12* Disclosure of Interests in Other Entities – subject to consultation

*IFRS 13* Fair Value Measurement – subject to consultation

*IPSAS 32* – Service Concession Arrangement – subject to consultation.

## *2. ANALYSIS OF NET EXPENDITURE BY SEGMENT*

NICE operates as a single reportable operating segment as defined within the scope of *IFRS 8 (Segmental Reporting)* under paragraph 12 (aggregation criteria). NICE's activities are inter-related and contiguous, the objective to provide guidance on treatment and care and on effective public health interventions.

NICE provides guidance on treatments and care for those using the NHS in England, Wales and Northern Ireland, and on effective public health interventions in England. Some of our guidance is also used by the NHS in Scotland. Income received from these countries is detailed in note 6.

All parts of NICE provide products and services related to public health and are supported by government grant-in-aid. All decisions about resources are made with consideration to NICE as a single operating segment.

There is no cross-charging between directorates in relation to corporate functions or overheads.

The National Patient Safety Agency (NPSA) was closed and one of its functions, the National Clinical Assessment Service (NCAS), was hosted by NICE for a year from 1 April 2012. NCAS transferred to its permanent home at the NHS Litigation Authority on 1 April 2013 and has not been included here. The Statement of Net Expenditure and note 21 provide information on NCAS for the year 2012/13.

## 3. STAFF NUMBERS AND RELATED COSTS

| | 2012/13 Total £000 | Permanently employed staff £000 | Other £000 | 2011/12 Total £000 |
|---|---|---|---|---|
| Salaries and wages | **29,528** | **24,163** | **5,365** | 25,323 |
| Social security costs | **2,241** | **2,241** | | 1,787 |
| Employer contributions to NHSPA | **3,079** | **3,079** | | 2,505 |
| Staff costs (before recoveries of outward secondments) | **34,848** | **29,483** | **5,365** | 29,615 |
| Less recoveries in respect to outward secondments | **(262)** | **(262)** | | (218) |
| **Total net costs** | **34,586** | **29,221** | **5,365** | 29,397 |

### AVERAGE NUMBER OF PERSONS EMPLOYED

The average number of whole-time equivalent persons employed (excluding Non-Executive Directors) during the year was as follows:

| | 2012/13 Total number | Permanently employed staff number | Other number | 2011/12 Total number |
|---|---|---|---|---|
| Directly employed | **600** | 541 | 59 | 508 |
| Other | | | | |
| Total | **600** | **541** | **59** | 508 |

### PENSIONS COSTS

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions The Scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution Scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that 'the period between formal valuations shall be four years, with approximate assessments in intervening years'. An outline of these follows.

*a) Accounting valuation*

A valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes.

The valuation of the Scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in *IAS 19*, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

*b) Full actuarial (funding) valuation*

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the Scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

*c) Scheme provisions*

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

- The Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based on total pensionable earnings over the relevant pensionable service.
- With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as 'pension commutation'.
- Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the 12 months ending 30 September in the previous calendar year. From 2011/12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).
- Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.
- For early retirements other than those due to ill health the additional pension liabilities are not funded by the Scheme. The full amount of the liability for the additional costs is charged to the employer.
- Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

***Retirements due to ill health***

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There was no retirement during 2012/13.

***Redundancies and terminations***

During 2012/13 there were three redundancies/terminations, totalling £317k (2011/12: three cases at £160k).

**3.1 Reporting of Civil Service and other compensation schemes – exit packages**

| Exit package cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|---|---|---|---|
| <£10,000 | 0 | 0 | **0** |
| £10,000 - £25,000 | 0 | 0 | **0** |
| £25,000 - £50,000 | 0 | 0 | **0** |
| £50,000 - £100,000 | 1 | 0 | **1** |
| £100,000 - £150,000 | 2 | 0 | **2** |
| £150,000 - £200,000 | 0 | 0 | **0** |
| **Total number of exit packages** | 3 | 0 | **3** |
| **Total resource cost £(000)** | 317 | 0 | **317** |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 4. EXPENDITURE

| | Notes | 2012/13 £000 | 2011/12 £000 |
|---|---|---|---|
| Non-cash items: | | | |
| Depreciation | | **539** | 519 |
| Amortisation | | **350** | 162 |
| (Profit)/loss on disposal | | **17** | 0 |
| Provisions provided for in year | 12 | **407** | 1,128 |
| Unwinding of discount on provisions | 12 | **0** | 0 |
| | | **1,313** | 1,809 |
| Rentals under operating leases | | **1,884** | 1,607 |
| Auditor's remuneration: audit fees* | | **53** | 55 |
| Premises and fixed plant | | **4,011** | 3,366 |
| Transport and moveable plant | | **8** | 20 |
| External contractors | | **3,411** | 3,097 |
| National Collaborating Centres | | **8,552** | 8,497 |
| British National Formulary | | **5,487** | 5,575 |
| Medical Technology External Assessment Centres | | **2,594** | 2,148 |
| Healthcare Library Services (SHALL) | | **1,901** | 1,955 |
| Publications and conferences | | **540** | 503 |
| Establishment expenses | | **5,168** | 3,690 |
| Supplies and services – general | | **3,011** | 2,898 |
| | | **37,933** | 35,220 |

*No non-audit fees were charged.

## 5. RECONCILIATION

### 5.1 Reconciliation of expenditure to net resource outturn

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| Net expenditure | **64,955** | 59,176 |
| Prior period adjustment | **0** | 0 |
| **Net resource outturn** | **64,955** | 59,176 |
| **Revenue resource limit** | **72,072** | 70,200 |
| **(Over)/underspend against limit** | **7,117** | 11,024 |

### 5.2 Reconciliation of capital expenditure to capital resource limit

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| Gross capital expenditure | **1,827** | 217 |
| NBV of assets disposed | **(20)** | 0 |
| **Net capital resource outturn** | **1,807** | 217 |
| **Capital resource limit** | **2,580** | 400 |
| **(Over)/underspend against limit** | **773** | 183 |

## 6. OPERATING INCOME ANALYSED BY CLASSIFICATION AND ACTIVITY

| | 2012/13 Total £000 | Restated 2011/12 Total £000 |
|---|---|---|
| Sales of services | **1,642** | 1,128 |
| Strategic Health Authorities | **1,635** | 1,799 |
| National Assembly for Wales | **1,520** | 907 |
| Northern Ireland Department of Health, Social Service and Public Safety | **490** | 226 |
| Northern Ireland Health and Social Care Board | **182** | 169 |
| Other NHS Income | **423** | 279 |
| NHS National Services Scotland | **416** | 435 |
| Healthcare Improvement Scotland | **139** | 130 |
| Department for International Development | **255** | 0 |
| Scottish Government | **34** | 34 |
| Department of Health | **152** | 154 |
| Income received for staff seconded out* | **262** | 218 |
| Reimbursement of travel costs | **63** | 75 |
| Publications and royalties income | **52** | 90 |
| Other government departments | **4** | 15 |
| *Non-cash items:* | | |
| Gain on transfer by absorption of NCAS | **557** | 0 |
| **Total** | **7,826** | 5,659 |

* In prior years income received in respect to staff seconded out was netted off against staff costs. To align with Department of Health reporting, we have not netted this off in 2012/13 and have restated the 2011/12 figures to take account of this adjustment.

## 7. ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

| | Programme | Administration | 2012/13 Total £000 | 2011/12 Total £000 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Staff costs (before income from outward secondments) | **1,503** | **33,345** | **34,848** | 29,615 |
| Running costs | **11,647** | **23,089** | **34,736** | 31,804 |
| Rentals under operating leases | | **1,884** | **1,884** | 1,607 |
| Non-cash items: | | | | |
| Depreciation | | **539** | **539** | 519 |
| Amortisation | | **350** | **350** | 162 |
| Profit or loss on disposal of property, plant and equipment | | **17** | **17** | 0 |
| Provision provided for in year | **407** | **0** | **407** | 1,128 |
| | **13,557** | **59,224** | **72,781** | 64,835 |
| **Income** | | | | |
| Income from activities | **(4,531)** | **(2,476)** | **(7,007)** | (5,441) |
| Income from outward secondments | **(12)** | **(250)** | **(262)** | (218) |
| Gain on transfer by absorption | | **(557)** | **(557)** | 0 |
| | **(4,543)** | **(3,283)** | **(7,826)** | (5,659) |
| **Net expenditure after interest** | **9,014** | **55,941** | **64,955** | 59,176 |

Administration costs are defined as non-frontline activities and support activities such as provision of policy advice, business support services and technical or scientific advice and support. Programme costs are defined as cost incurred in providing frontline activities such as direct patient care.

Prior to 2011/12, all of NICE's activity was classified as Programme by default; however, following the 2010 Government Spending Review, the Administration Control Limit of the Department of Health was extended to include special health authorities for the first time.

The majority of NICE's activity (and funding) has now been classified as Administration – the exceptions are funding for supplying the British National Formulary (BNF) publications to the NHS and the costs associated with the Medical Technologies Evaluation Pathway programme. Further, HM Treasury guidance states that all trading income (such as the NICE International and Scientific Advice programmes) is classified as Programme costs.

## 8. NON-CURRENT ASSETS

### 8.1 Intangible assets

| | Total software licences £000 |
|---|---|
| **Cost or valuation** | |
| At 1 April 2012 | 542 |
| Additions – purchased | **118** |
| Disposals | **(49)** |
| Transferred in with NCAS | **739** |
| **At 31 March 2013** | **1,350** |
| | |
| **Amortisation** | |
| At 1 April 2012 | 459 |
| Charged during the year | **350** |
| Disposals | **(46)** |
| Transferred in with NCAS | **255** |
| **At 31 March 2013** | **1,018** |
| | |
| **Net book value at 31 March 2013** | **332** |

| | £000 |
|---|---|
| **Cost or valuation** | |
| At 1 April 2011 | 549 |
| Additions – purchased | 0 |
| Disposals | (7) |
| **At 31 March 2012** | **542** |
| | |
| **Amortisation** | |
| At 1 April 2011 | 304 |
| Charged during the year | 162 |
| Disposals | (7) |
| **At 31 March 2012** | **459** |
| | |
| **Net book value at 31 March 2012** | 83 |

## 8.2 Property, plant and equipment

| 2012/13 | Tenants leasehold improvement £000 | Plant and machinery £000 | Information technology £000 | Furniture and fittings £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2012 | 1,652 | 390 | 639 | 1,145 | 3,826 |
| Additions – purchased | **1,065** | **45** | **320** | **279** | **1,709** |
| Disposals | **(382)** | **0** | **(48)** | **(734)** | **(1,164)** |
| Transferred in with NCAS | **0** | **0** | **144** | **25** | **169** |
| **At 31 March 2013** | **2,335** | **435** | **1,055** | **715** | **4,540** |
| **Depreciation** | | | | | |
| At 1 April 2012 | 732 | 273 | 326 | 811 | 2,142 |
| Charged during the year | **251** | **37** | **143** | **108** | **539** |
| Disposals | **(382)** | **0** | **(31)** | **(734)** | **(1,147)** |
| Transferred in with NCAS | **0** | **0** | **76** | **20** | **96** |
| **At 31 March 2013** | **601** | **310** | **514** | **205** | **1,630** |
| **Net book value at 31 March 2013** | **1,734** | **125** | **541** | **510** | **2,910** |
| Net book value at 31 March 2012 | 920 | 117 | 313 | 334 | 1,684 |
| **Asset financing** | | | | | |
| Owned | 1,734 | 125 | 541 | 510 | 2,910 |
| Finance leased | 0 | 0 | 0 | 0 | 0 |
| Net book value | **1,734** | **125** | **541** | **510** | **2,910** |

Property, plant and equipment are valued using indices. No indexation was applied in 2012/13. No assets were donated during 2012/13.

| 2011/12 | Tenants leasehold improvement £000 | Plant and machinery £000 | Information technology £000 | Furniture and fittings £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 April 2011 | 1,631 | 322 | 511 | 1,145 | 3,609 |
| Additions – purchased | 21 | 68 | 128 | 0 | 217 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2012** | **1,652** | **390** | **639** | **1,145** | **3,826** |
| **Depreciation** | | | | | |
| At 1 April 2011 | 501 | 229 | 233 | 660 | 1,623 |
| Charged during the year | 231 | 44 | 93 | 151 | 519 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2012** | **732** | **273** | **326** | **811** | **2,142** |
| **Net book value at 31 March 2012** | **920** | **117** | **313** | **334** | **1,684** |
| Net book value at 31 March 2011 | 1,130 | 93 | 278 | 485 | 1,986 |
| **Asset financing** | | | | | |
| Owned | 920 | 117 | 313 | 334 | 1,684 |
| Finance leased | 0 | 0 | 0 | 0 | 0 |
| Net book value | **920** | **117** | **313** | **334** | **1,684** |

### 8.3 Profit/(loss) on disposal of fixed assets

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| Profit/(Loss) on disposal of intangible fixed assets | **0** | 0 |
| Profit/(Loss) on disposal of property, plant and equipment | **(17)** | 0 |
| | **(17)** | 0 |

## *9. TRADE RECEIVABLES AND OTHER CURRENT ASSETS*

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade receivables | **1,917** | 2,489 |
| Other receivables | **0** | 5 |
| Prepayments and accrued income | **2,433** | 2,774 |
| | **4,350** | 5,268 |
| **Amounts falling due after more than one year** | | |
| Prepayments and accrued income | **0** | 0 |
| | **0** | 0 |

### 9.1 Intra-government balances

| | | 2012/13 £000 | 2011/12 £000 |
|---|---|---|---|
| Balances with other central government bodies | | **1,268** | 2,199 |
| Balances with local authorities | | **490** | 0 |
| Balances with NHS bodies | | **145** | 27 |
| Balances with public corporations and trading funds | | **0** | 0 |
| | Subtotal | **1,903** | 2,226 |
| Balances with bodies external to government | | **2,447** | 3,042 |
| | **Total** | **4,350** | 5,268 |

## *10. CASH AND CASH EQUIVALENTS*

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| Balance at 1 April | **387** | 563 |
| Net change in cash and cash equivalent balances | **103** | (176) |
| **Balance at 31 March** | **490** | 387 |
| The following balances at 31 March were held: | | |
| Government Banking Service | **485** | 387 |
| Commercial banks and cash in hand | **5** | 0 |
| **Balance at 31 March** | **490** | 387 |

## 11. TRADE PAYABLES AND OTHER LIABILITIES

| | 2012/13 £000 | 2011/12 £000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade payables | **(1,787)** | (932) |
| Capital creditors | **(378)** | (90) |
| Tax and social security | **(6)** | 0 |
| Accruals and deferred income | **(2,026)** | (1,335) |
| | **(4,197)** | (2,357) |
| **Amounts falling due after more than one year** | | |
| Other payables | **0** | 0 |
| | **0** | 0 |

| **11.1 Intra-government balances** | | 2012/13 £000 | 2011/12 £000 |
|---|---|---|---|
| Balances with other central government bodies | | **(209)** | (16) |
| Balances with local authorities | | **(136)** | 0 |
| Balances with NHS Trusts | | **(164)** | (130) |
| Balances with public corporations and trading funds | | **0** | 0 |
| | Subtotal | **(509)** | (146) |
| Balances with bodies external to government | | **(3,688)** | (2,211) |
| | **Total** | **(4,197)** | (2,357) |

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

| | Total £000 |
|---|---|
| Balance at 1 April 2011 | 1,046 |
| Arising during the year | 1,128 |
| Utilised during the year | (168) |
| Provisions not required written back | 0 |
| Unwinding of discount | 0 |
| Balance at 1 April 2012 | **2,006** |
| Arising during the year | **905** |
| Utilised during the year | **(632)** |
| Provisions not required written back | **(498)** |
| Unwinding of discount | **0** |
| **At 31 March 2013** | **1,781** |
| **Analysis of expected timing of discounted flows** | |
| Within 1 year | (339) |
| 1–5 years | (1,331) |
| Over 5 years | (111) |
| | (1,781) |

As at 31 March 2013 NICE has made a provision of £644k in respect of expected dilapidation, £922k for deferred Lease Incentives and £215k regarding legal issues. The dilapidation relates to NICE's contractual liability at the end of the lease to reinstate the premises to the same state as at the start of the lease. The amount of the liability provision represents the current best estimate. Lease Incentives are periods of occupation which are rent free. *IAS 17* (SIC 15) requires the total value of the lease to be spread over the whole lease period, including the rent-free period. The provision relates to Lease Incentives already taken but which will be applied to future rental periods. The provisions have not been discounted.

## 13. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2013 for which no provision has been made (2011/12: none).

## 14. COMMITMENTS UNDER LEASE

**14.1 Operating leases**

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

| | **NCAS 2012/13 £000** | **NICE 2012/13 £000** | NICE 2011/12 £000 |
|---|---|---|---|
| **Obligations under operating leases comprise:** | | | |
| Buildings | | | |
| Not later than one year | **294** | **1,731** | 1,390 |
| Later than one year and not later than five years | **262** | **6,095** | 2,050 |
| Later than five years | **0** | **1,822** | 325 |
| | **556** | **9,648** | 3,765 |
| Other leases | | | |
| Not later than one year | **15** | **75** | 66 |
| Later than one year and not later than five years | **42** | **97** | 99 |
| Later than five years | **0** | **0** | 1 |
| | **57** | **172** | 166 |

Obligations relating to NCAS are shown separately as they passed to the NHS Litigation Authority on 1 April 2013 when NCAS transferred from NICE.

**14.2 Finance Lease**

There are no Finance Lease payments for 2012/13 (2011/12: none).

## 15. OTHER FINANCIAL COMMITMENTS

NICE (and as parent to NCAS) has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payment to which NICE is committed during 2012/13 analysed to the period during which the commitment expires are as follows:

| | **NCAS 2012/13 £000** | **NICE 2012/13 £000** | NICE 2011/12 £000 |
|---|---|---|---|
| Not later than one year | **40** | **538** | 120 |
| Later than one year and not later than five years | **0** | **525** | 19 |
| Later than five years | **0** | **0** | 0 |
| | **40** | **1,063** | 139 |

Obligations relating to NCAS are shown separately as they passed to the NHS Litigation Authority on 1 April 2013 when NCAS transferred from NICE.

## 16. CONTINGENT LIABILITIES

NICE has no contingent liabilities (2011/12: none).

## 17. LOSSES AND SPECIAL PAYMENTS

Losses are defined as transactions for which Parliament could not make provision when voting for resources. It may include losses due to overpayment, bad debts, foreign exchange fluctuations, fruitless payments, loss of and damage to property and bookkeeping losses. The 2012/13 figure includes a fruitless payment of £64k which relates to NICE's old offices being vacant for a short period until the lease expired. During this period the landlords were to complete dilapidation work in line with the lease agreement. Special Payments include compensation payments which are made under legal obligation.

| | **2012/13 Number** | **2012/13 £000** | 2011/12 Number | 2011/12 £000 |
|---|---|---|---|---|
| **Losses** | **1,286** | **105** | 966 | 51 |
| **Special payments** | **0** | **0** | 0 | 0 |

## *18. RELATED PARTY TRANSACTIONS*

NICE is a body corporate established by order of the Secretary of State for Health. The Department of Health is regarded as a controlling related party. During the year NICE has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. In addition, NICE has had a small number of various material transactions with other government departments and other central government bodies. No board member, key manager or other related parties has undertaken any material transactions with NICE during the year. Material transactions are those that exceed £50k or balances at 31 March that exceed £25k.

| | Income £000 | Expenditure £000 |
|---|---|---|
| **NHS organisations** | | |
| *SHA library leads income for content on NICE Evidence website, e.g. Journals* | | |
| Bridgewater Community Healthcare NHS Trust | 240 | |
| Brighton and Sussex University Hospitals NHS Trust | 112 | |
| East Midlands Strategic Health Authority | 155 | |
| East of England Strategic Health Authority | 173 | |
| London Strategic Health Authority | 440 | |
| North East Strategic Health Authority | 126 | |
| South Central Strategic Health Authority | 135 | |
| South West Strategic Health Authority | 174 | |
| West Midlands Strategic Health Authority | 190 | |
| Yorkshire and the Humber Strategic Health Authority | 204 | |
| *Rental of office space at Skipton House* | | |
| Department of Health | | 535 |
| *Rental of office space at Wavertree Technology Park* | | |
| Liverpool PCT | | 204 |
| *Seconded staff* | | |
| Richmond and Twickenham PCT | 64 | |
| Salford PCT | | 54 |
| University Hospitals of Leicester NHS Trust | | 63 |
| University Hospital of South Manchester NHS Foundation Trust | | 73 |
| *Seconded committee chairs and assessors* | | |
| Cambridge University Hospitals NHS Foundation Trust | | 56 |
| Clatterbridge Centre for Oncology NHS Foundation Trust | | 57 |
| Royal Devon and Exeter NHS Foundation Trust | | 69 |
| St George's Healthcare NHS Trust | | 73 |
| *Provision of the National electronic Library of Medicine (NeLM)* | | |
| Guy's and St Thomas' NHS Foundation Trust | | 211 |
| *Medical Technologies External Assessment Centre* | | |
| Newcastle upon Tyne Hospitals NHS Foundation Trust | | 677 |
| *National Collaborating Centre for Cancer* | | |
| Velindre NHS Trust | | 889 |
| *Recruitment fees for new chair* | | |
| Department of Health | | 57 |

## 18 RELATED PARTY TRANSACTIONS (CONT.)

| | Income £000 | Expenditure £000 |
|---|---|---|
| **Other government organisations (not disclosed elsewhere)** | | |
| *Rental of office space and office fit-out at Spring Gardens* | | |
| British Council | | 2,203 |
| *Business rates* | | |
| Camden NNDR | | 344 |
| Manchester City Council | | 299 |
| Westminster City Council | | 136 |
| *Finance and payroll services* | | |
| NHS Shared Business Services | | 147 |
| *Income for NCAS advice support and assessment* | | |
| Ministry of Defence | 54 | |

| | Receivables £000 | Payables £000 |
|---|---|---|
| **NHS organisations** | | |
| *Recruitment fees for new chair* | | |
| Department of Health | | 57 |
| *Accrued income for NICE International Global Health Project Services* | | |
| Department of Health | 65 | |
| *NCAS training workshops* | | |
| Guy's and St Thomas' NHS Foundation Trust | 52 | |
| **Other government organisations (not disclosed elsewhere)** | | |
| *Rental of office space and office fit-out at Spring Gardens* | | |
| British Council | | 195 |
| *Business rates* | | |
| Camden NNDR | 170 | |
| Manchester City Council | 308 | |
| Westminster City Council | | 136 |
| *NICE and NCAS funding* | | |
| Department of Health, Social Services and Public Safety: Northern Ireland | 329 | |
| *BNF funding* | | |
| Business Services Organisation | 145 | |
| *NCAS advice support and assessment* | | |
| Ministry of Defence | 51 | |
| *Accrued income for NICE International* | | |
| Department for International Development | 47 | |
| *Accrued income for BNF* | | |
| Scottish Parliament | 31 | |

## 19. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of *IAS 10*, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The NHS White Paper, 'Equity and excellence: Liberating the NHS', published in July 2010, sets out the government's long-term vision for the future of the NHS. Following this notice the National Patient Safety Agency was dissolved, with some of its functions transferring to other NHS bodies. NICE agreed to host one such part, the National Clinical Assessment Centre (NCAS), for a year from 1 April 2012 to allow a permanent home for NCAS to be established elsewhere. With effect from 1 April 2013 NCAS moved permanently to the NHS Litigation Authority. NICE had responsibility for NCAS resources of £7 million and 70 staff.

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposed the dissolution of NICE as a special health authority, followed by the creation of a new body – the National Institute for Health and Care Excellence (NICE) as a non-departmental public body (NDPB). The Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act 2012. NICE's statutory status changed on 1 April 2013.

From 1 April 2013 a new Board is in place to govern NICE as an NDPB. It consists of the newly appointed chair (Professor David Haslam, who replaced Professor Sir Michael Rawlins from 1 April 2013) and six of the existing non-executive directors whose terms of office extend beyond April 2013.

The report, 'Innovation, Health and Wealth: accelerating adoption and diffusion in the NHS', published in December 2011, sets out the government's plans for increasing research and innovation in health and social care. As a result, the functions of the NHS Technology Adoption Centre will transfer from the Central Manchester University Hospital NHS Foundation Trust to NICE, where it is better aligned with the work of NICE. Resources of c£700k and five staff transferred on 1 May 2013.

## 20. FINANCIAL INSTRUMENTS

*IFRS 7* requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way special health authorities are financed, NICE is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which *IFRS 7* mainly applies. NICE has limited powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing NICE in undertaking its activities.

**LIQUIDITY RISK**

NICE's net operating costs are financed from resources voted annually by Parliament. NICE largely finances its capital expenditure from funds made available from government under an agreed capital resource limit. NICE is not, therefore, exposed to significant liquidity risks.

**CREDIT RISK**

Because the majority of the NICE's income comes from contracts with other public sector bodies, NICE has low exposure to credit risk. The maximum exposure as at 31 March 2013 are in receivables from customers, as disclosed in the debtors' note.

**CURRENCY RISK**

NICE is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. NICE therefore has low exposure to currency rate fluctuations.

**INTEREST-RATE RISK**

NICE's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. NICE is not, therefore, exposed to significant interest-rate risk. The following table show the interest rate profile of the NICE's financial liabilities:

**Financial assets**

| Currency | Total | Floating rate | Fixed rate | Non-interest bearing |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **At 31 March 2013** | | | | |
| Sterling | **490** | **0** | **490** | **0** |
| Other | **0** | **0** | **0** | **0** |
| **Gross financial assets** | **490** | **0** | **490** | **0** |
| | | | | |
| At 31 March 2012 | | | | |
| Sterling | 387 | 0 | 387 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Gross financial assets | 387 | 0 | 387 | 0 |

| **Financial assets by category** | **2012/13** | 2011/12 |
|---|---|---|
| Assets as per Statement of Financial Position | **£000** | £000 |
| Current | | |
| Trade and other receivables | **1,917** | 2,494 |
| Other current assets | **2,433** | 2,774 |
| Cash and cash equivalents | **490** | 387 |
| | **4,840** | 5,655 |
| Non-current | | |
| Receivables | **0** | 0 |
| | **0** | 0 |

**Financial liabilities**

| **Financial liabilities by category** | **2012/13** | 2011/12 |
|---|---|---|
| Liabilities as per Statement of Financial Position | **£000** | £000 |
| Current | | |
| Trade and other payables | **(4,197)** | (2,357) |
| Other liabilities | **0** | 0 |
| | **(4,197)** | (2,357) |
| Non-current | | |
| Provisions for liabilities and charges | **(1,781)** | (2,006) |
| Other payables | **0** | 0 |
| | **(1,781)** | (2,006) |

**Foreign currency risk**

NICE has negligible foreign currency income or expenditure.

**Fair values**

The fair values and the carrying values of NICE's financial assets and liabilities do not differ as no indexation or discounting are appropriate.

## *21. HOSTING OF NATIONAL CLINICAL ASSESSMENT SERVICE*

The NHS White Paper, 'Equity and excellence: Liberating the NHS', published in July 2010, sets out the government's long-term vision for the future of the NHS. Following the notice of the closing of the National Patient Safety Agency, Department of Health ministers approved the hosting of the National Clinical Assessment Service (NCAS) by NICE, prior to the transfer to their permanent home at the NHS Litigation Authority.

NICE hosted NCAS for one year, from 1 April 2012. The information below shows the assets and liabilities transferring to and from NICE.

**21.1 Movement in Statement of Financial Position from 1 April 2012 to 31 March 2013**

| | Opening balance 1 April 2012 £000 | Movement £000 | Closing balance 31 March 2013 £000 |
|---|---|---|---|
| Property, plant and equipment | 73 | 16 | **89** |
| Intangible assets | 484 | (280) | **204** |
| Non-current receivables | 0 | 0 | **0** |
| Total non-current assets | 557 | (264) | **293** |
| Receivables | 125 | 264 | **389** |
| Cash and cash equivalents | 440 | (341) | **99** |
| Other | 0 | 0 | **0** |
| Total current assets | 565 | (77) | **488** |
| **Total assets** | 1,122 | (341) | **781** |
| Payables | (565) | (213) | **(778)** |
| Other | 0 | 0 | |
| Provisions | 0 | 0 | **0** |
| Total current liabilities | (565) | (213) | **(778)** |
| Non-current payables | 0 | 0 | **0** |
| Provisions | 0 | 0 | **0** |
| Total non-current liabilities | 0 | 0 | **0** |
| **Total liabilities** | (565) | (213) | **(778)** |
| **Total assets less total liabilities** | 557 | (554) | **3** |

# Contacting NICE

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