



*National Institute for
Health and Clinical Excellence*

Annual Report and Accounts 2010/11

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

Annual Report and Accounts 2010/11

Presented to Parliament pursuant to Paragraph 6 (3) of Schedule 15
of the National Health Service Act 2006

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Chair's and Chief Executive's foreword

Although the NHS is facing the biggest shake-up in its history, one thing remains clear. NICE's role in helping to provide the highest quality evidence for clinical and public health communities, based on the most robust and up-to-date evidence, remains as important now as it has ever been in the 12 years of its existence.

Our advice helps ensure that NHS patients are offered care that is known to be clinically and cost effective. This helps cut down on ineffective practices and so frees up resources that can be channelled into other services.

We also provide the wider public health community with advice on maintaining good health and preventing ill health so as to increase the wellbeing of the population as a whole.

During the course of this last year we published 122 individual pieces of guidance which included:

- our 25th piece of public health guidance, which covered the prevention of cardiovascular disease, in June 2010
- our 100th clinical guideline, which looked at alcohol misuse, also in June 2010
- our 200th technology appraisal, on peginterferon alfa and ribavirin for the treatment of hepatitis C, in September 2010
- our 350th interventional procedure guidance, on photodynamic therapy for Barrett's oesophagus, in June 2010.

The first tranche of our quality standards covering dementia, stroke and venous thromboembolism prevention was launched in June 2010. Five more quality standards followed before the end of the year, covering specialist neonatal care, chronic kidney disease, depression in adults, diabetes in adults, and glaucoma.

Eventually some 150 clinical areas will each have their own set of quality standards that will outline the vision of what high-quality care should look like in the NHS. These quality standards will form the basis of commissioning decisions, and will inform the development of our new commissioning guides.

In December 2010, we supported the use of a balloon catheter for coronary artery surgery, in the first piece of guidance from our new medical technology programme. This programme was set up to focus specifically on the evaluation of innovative medical technologies – and especially those that are cost saving – in an attempt to speed up their introduction into the health service.

Our diagnostics technology programme – designed to help the NHS adopt efficient and cost-effective medical diagnostic technologies more rapidly and consistently – is also up and running and will soon publish its first piece of guidance.

We have continued to play a key role in setting the clinical and cost-effectiveness indicators for the Quality and Outcomes Framework, the incentive scheme for general practice.

Supporting those working in primary care has been a key objective for NICE over the past year. A new section of our website has been designed to help staff in general practice get the most out of evidence and guidance provided by NICE.

An online database, offering GPs advice on referring patients from primary to secondary care, was launched to help reduce the number of inappropriate referrals and ensure value for money in the NHS. NHS Evidence also took responsibility for the national QIPP (Quality, Improvement, Productivity and Prevention) collection which supports staff in meeting the efficiency challenge.

In May 2011, NICE launched an exciting new product called NICE Pathways. This is an online tool for health and social care professionals that will bring together all connected NICE guidance on a topic in a user-friendly electronic flowchart.

The Health and Social Care Bill currently before Parliament will empower NICE to develop guidance and quality standards to inform social care. We relish the prospect of helping bring together the NHS and social care for both children and adults. In acknowledgement of our expanded role, our name will change to the National Institute for Health and Care Excellence but will still be abbreviated to 'NICE'.

Looking further ahead, the government will finalise plans to introduce a new value-based system of pricing medicines which aims to give NHS patients better access to effective and innovative medicines.

We believe that the aims of value-based pricing can be achieved by adapting the current NICE technology appraisal process and by building on the best of a system that is widely regarded as the world leader in evaluating the cost and clinical effectiveness of new drugs.

Expanding our remit and increasing our workload would simply not be possible without the dedicated support of our staff, those who serve on our advisory bodies, and our stakeholders in the NHS, the professions, patient organisations and the life sciences industries.

It is through their collective commitment and enthusiasm that we continue to grow, develop new services and devise ways of presenting our recommendations to help achieve the highest attainable standards of healthcare. We are extremely grateful for all their hard work.

Professor Sir Michael Rawlins Chair
Sir Andrew Dillon CBE Chief Executive

Overview

WHO WE ARE

NICE is an independent organisation responsible for providing national 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. Through NHS Evidence, we provide support for decision-makers across health and social care and a process for quality assuring sources of information.

In 2010/11, we published 24 new clinical guidelines, 34 technology appraisals, and guidance on 50 interventional procedures and 11 public health topics. Our outputs expanded this year to include quality standards: new NICE products comprising specific, concise statements defining high-quality, cost-effective patient care. The first eight were published this year.

In addition we produced our first medical technologies guidance, designed to help the NHS adopt efficient and cost-effective medical devices and diagnostics more rapidly and consistently. Guidance on three technologies was issued in 2010/11.

NICE also published seven commissioning guides and 13 implementation uptake reports to assess compliance with guidance across the NHS.

Professor Sir Michael Rawlins is the Chair and Sir Andrew Dillon CBE is Chief Executive.

WHAT WE DO

CENTRE FOR CLINICAL PRACTICE

The Centre for Clinical Practice develops and maintains high-quality, evidence-based, cost-effective clinical guidelines. These give a range of users easily accessible information on the treatment and care of people within the NHS with specific diseases and conditions. The

Centre also develops NICE quality standards, which provide a clear description of what high-quality care looks like, so that health and social care organisations can improve quality and achieve excellence. In addition, the Centre develops quality indicators for primary care, for use in the Quality and Outcomes Framework – a voluntary incentive scheme for GP practices in the UK, rewarding them for how well they care for patients.

CENTRE FOR PUBLIC HEALTH EXCELLENCE

The Centre for Public Health Excellence produces public health guidance based on the best available evidence of effectiveness and cost-effectiveness for local government, the NHS, the education sector and other audiences whose activities focus on promoting healthy living and preventing disease.

CENTRE FOR HEALTH TECHNOLOGY EVALUATION

The Centre for Health Technology Evaluation develops guidance on the use of new and existing medicines, treatments, procedures, medical technologies and diagnostics within the NHS. In addition to its guidance-producing activities, the Centre is responsible for the Patient Access Scheme Liaison Unit and the Scientific Advice Programme, and it hosts the NICE Topic Selection Programme.

NHS EVIDENCE

NHS Evidence is a service provided by NICE to improve use of and access to evidence-based information about health and social care. Part of the Evidence and Practice directorate, NHS Evidence includes access to a range of evidence-based information – primary research, summarised evidence, medicines information, reports and practical evidence-based tools to support implementation. A formal programme accredits external guidance producers. The service also provides clinically led specialist content and contract management to support the 'British National Formulary'. It also nationally

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

procures journals, books and electronic medical databases on behalf of the NHS and houses the national QIPP (Quality, Improvement, Productivity and Prevention) database.

SUPPORT FOR PUTTING NICE GUIDANCE INTO PRACTICE

NICE's implementation programme (part of the Evidence and Practice directorate) supports key audiences and organisations, within and beyond the NHS, to put all types of guidance issued by NICE into practice. The programme aims to motivate and encourage change in practice through working with other organisations' systems, providing practical support and monitoring uptake of the recommendations to inform future work.

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

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.

PROMOTING OUR WORK

NICE is seldom out of the public eye and we use many ways to inform key audiences about our work. Highlights of 2010/11 were as follows.

- Members of the NICE team spoke at more than 70 conferences around the UK and across Europe, addressing audiences from industry, the NHS, local government, the charity sector and others. NICE also attended 20 exhibitions around the UK to directly engage with key audiences ranging from frontline healthcare professionals to managers and patient groups.
- Throughout the year, press interest in our work remained high. Our communications team engaged with the print, broadcast and online media to proactively promote our clinical and public health recommendations, and to provide more

detailed explanations of our decisions, particularly where they challenge the expectations of patients, professionals or industry.

- Our enquiry handling team responded to more than 11,000 calls, letters and emails on a range of topics, including how we make recommendations and our new work programmes. A third of enquiries received were from healthcare professionals in the NHS who are using NICE guidance in their daily work, a third were from members of the public who wanted to know more about our recommendations and the remainder included pharmaceutical companies, patient groups, charities and international audiences interested in how we work.
- Our website provides information about all of NICE's different work programmes including free access to all NICE guidance and implementation tools to help people use it. There were almost 10 million visits to our website in 2010/11.
- A total of 15 guidance producers were accredited under the NHS Evidence Accreditation Scheme, and the first applications were received from a range of international guidance producers, including The Joanna Briggs Institute in Australia.
- About 30 QIPP case studies were assessed, bringing the number of examples in the collection to more than 100. If the examples were adopted by half of eligible organisations, they would save the NHS over £700 million.
- NHS Evidence began rolling out a national student champion scheme to raise awareness of the service among health and medical students. Results from a pilot at three universities showed that over 90% of students used NHS Evidence to access healthcare information after attending a peer-to-peer learning session.
- NICE International, a team within NICE dedicated to supporting other countries to use evidence-based decision making in healthcare policy, provided advice to 22 nations during 2010/11. Its work included

supporting the Ministry of Health in Turkey to produce a clinical guideline on elective caesarean section, and advising the Jordanian Ministry of Health on the development of a new care pathway for hypertension.

About NICE

THE BOARD

The Board's membership in 2010/11 was:

Professor Sir Michael Rawlins Chair

Dr Margaret Helliwell Vice Chair

Jenny Griffiths OBE Non-Executive Director

Professor David Hunter Non-Executive Director

Mercy Jeyasingham MBE Non-Executive Director

Professor Rona McCandlish Non-Executive Director

Andrew McKeon Non-Executive Director

Professor Patrick Morrison Non-Executive Director

Professor Helen Roberts Non-Executive Director

Linda Seymour Non-Executive Director

Jonathan Tross CB Non-Executive Director

Sir Andrew Dillon CBE Chief Executive

Dr Gillian Leng Deputy Chief Executive and Evidence and Practice Director

Professor Peter Littlejohns Clinical and Public Health Director

Ben Bennett Business Planning and Resources Director

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee provides an independent and objective review of arrangements for internal control within NICE, including risk management. The members of the Audit Committee in 2010/11 were:

Jonathan Tross CB* Non-Executive Director

Jenny Griffiths OBE Non-Executive Director

Professor Rona McCandlish¹ Non-Executive Director

Professor Patrick Morrison Non-Executive Director

Professor Helen Roberts Non-Executive Director

* Chair of the Committee
1 Started 19/5/10

HUMAN RESOURCES COMMITTEE

The Human Resources Committee agrees, monitors and reviews NICE's human resources strategies and policies. The members of the Human Resources Committee in 2010/11 were:

Mercy Jeyasingham MBE* Non-Executive Director

Jenny Griffiths OBE Non-Executive Director

Linda Seymour Non-Executive Director

Ben Bennett Business Planning and Resources Director

* Chair of the Committee

REMUNERATION AND TERMS OF SERVICE COMMITTEE

The Remuneration and Terms of Service Committee sets remuneration levels and terms of service for senior staff at NICE, in line with NHS practice. The members of the Remuneration and Terms of Service Committee in 2010/11 were:

Professor Sir Michael Rawlins Chair

Dr Margaret Helliwell Non-Executive Director

Andrew McKeon Non-Executive Director

Jonathan Tross CB Non-Executive Director

SENIOR MANAGEMENT TEAM

The members of the NICE Senior Management Team in 2010/11 were:

Sir Andrew Dillon CBE Chief Executive

Dr Gillian Leng Deputy Chief Executive and Evidence and Practice Director

Ben Bennett Business Planning and Resources Director

Professor Peter Littlejohns Clinical and Public Health Director

Professor Carole Longson Health Technology Evaluation Centre Director

Professor Mike Kelly Public Health Excellence Centre Director

Dr Fergus Macbeth Clinical Practice Centre Director

Jane Gizbert Communications 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 of the Citizens Council Committee in 2010/11 were:

Professor Sir Michael Rawlins Chair

Mercy Jeyasingham MBE Non-Executive Director

Professor Helen Roberts Non-Executive Director

Professor Peter Littlejohns Clinical and Public Health Director

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 2010/11 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

- NHS Evidence Advisory Committee, chaired by Professor David Haslam
- 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

INDEPENDENT ACADEMIC CENTRES

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 2010/11 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

REVIEW BODY FOR INTERVENTIONAL PROCEDURES

We commission an independent review body to carry out a systematic review when more information is needed before guidance can be developed on an interventional procedure. The review body is a joint venture between the Health Services Research section at the School of Health and Related Research, University of Sheffield, and the Health Services Research Unit at the University of Aberdeen.

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 2010/11, the PHCCs were:

- School of Health and Related Research (SchARR), University of Sheffield
- Peninsula Technology Assessment Group (PenTAG), Institute for Health Services Research, Peninsula Medical School, Universities of Exeter and Plymouth.

SPECIALIST COLLECTIONS

During 2010/11, NICE commissioned specialist information services from over 30 Specialist Collections, located in a range of organisations across England and Wales. These organisations greatly supported the initial set up of NHS Evidence by providing specialist clinical and public health resources.

From April 2011, new Evidence Hubs will build on the work of the Specialist Collections by providing comprehensive coverage of evidence across all clinical domains. Public health evidence will continue to be commissioned from the North East Public Health Observatory. NHS Evidence works closely with the Social Care Institute for Excellence (SCIE) in order to identify social care content.

Management commentary

CURRENT AND FUTURE DEVELOPMENTS

Following a period of rapid development during 2009/10, NICE has consolidated its position in 2010/11 by:

- publishing the first set of NICE Quality Standards for the NHS
- continuing the development of the Quality and Outcomes Framework indicators for the NHS
- publishing the first set of new Medical Technology guidance
- launching a pilot project in the Diagnostic Assessment Programme
- publishing more guidance on clinical and public health topics
- carrying out development work on NICE Pathways
- further extending the NHS Evidence service.

In line with its increased activities and responsibilities NICE's budget rose to £77.3 million in 2010/11 (from £60.5 million in 2009/10) and the total number of budgeted employees rose to 552 whole-time equivalent (wte) posts (435 wte in 2009/10).

In August 2010 it was agreed with the Department of Health that £3.6 million would not be allocated to NICE on a non-recurrent basis as a result of the delays in NICE receiving confirmation of its budget allocation. This reduced the total revenue budget from £77.3 million to £73.7 million.

During 2011/12 and beyond NICE expects significant reductions in its government funding in line with the reductions required across the public sector. As far as possible the reductions will be managed through efficiencies. The business plan for 2011/12 shows how NICE will maintain its outputs within a budget that is reduced by 13% in real terms.

From April 2011, NICE will take responsibility for the work of both the National Prescribing Centre (NPC) and the National Electronic Library for Medicines (NeLM). The functions of these organisations will be reviewed during 2011/12 and consideration given to appropriate alignment and branding from April 2012.

The risks and uncertainties that NICE is facing are included in the Statement of Internal Control.

FINANCIAL OVERVIEW

The outturn position against the revenue budget for 2010/11 was an underspend of £11.4 million against a grant-in-aid budget of £70.4 million. (This compares to £1.9 million underspent in 2009/10.)

This position is net of some variances on the original plan. The underspend is largely the result of the spending restrictions, in particular the recruitment freeze, announced by the Government in May 2010. Although NICE received permission from the Department of Health to recruit to some of the new posts in its business plan, restrictions on the size of the approved recruitment pool, capacity within the recruitment process, and internal movement of staff have meant that the pace of recruitment has been slow.

At 31 March 2011 there were more than 100 vacancies. 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. The outputs from the public health guidance programme were reduced as a result of the new Government's review of its approach to public health.

The capital budget during 2010/11 was £0.6 million, of which NICE used £0.3 million to:

- upgrade videoconferencing units in the London and Manchester offices
- create a development environment to support the NHS Evidence website
- purchase additional electronic storage capacity.

HOW IS NICE FUNDED?

NICE's total revenue budget for 2010/11 was £73.7 million, of which £70.4 million was revenue/grant-in-aid funding from the Department of Health. The other £3.3 million was additional operating income expected from other NHS bodies and Government departments. The capital funding available was £0.6 million.

The actual amount of funding drawn down by NICE in 2010/11 was £60.4 million (see Figure 1). This was much lower than the amount available because of the underspends arising from the restrictions noted above. NICE also received £5.0 million additional operating income. This included £2.2 million from strategic health authorities, £0.6 million from the Welsh Assembly Government, £0.5 million from other Government departments and £1.7 million from other sources.

HOW THE FUNDING WAS USED

Figure 2 shows how the money was spent in 2010/11. The main areas of expenditure were external contracts and salaries. Significant 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 Ltd to publish the 'British National Formulary'
- Specialist collections to support the work of the Evidence and Practice directorate
- External Assessment Centres to assist in providing medical technologies guidance.

PROGRAMME COSTS

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

Figure 1: Income breakdown (£m)

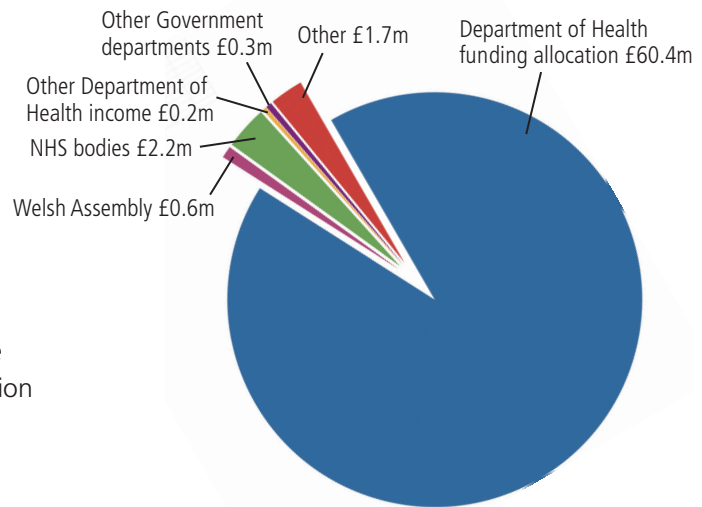


Figure 2: Gross expenditure breakdown (£m)

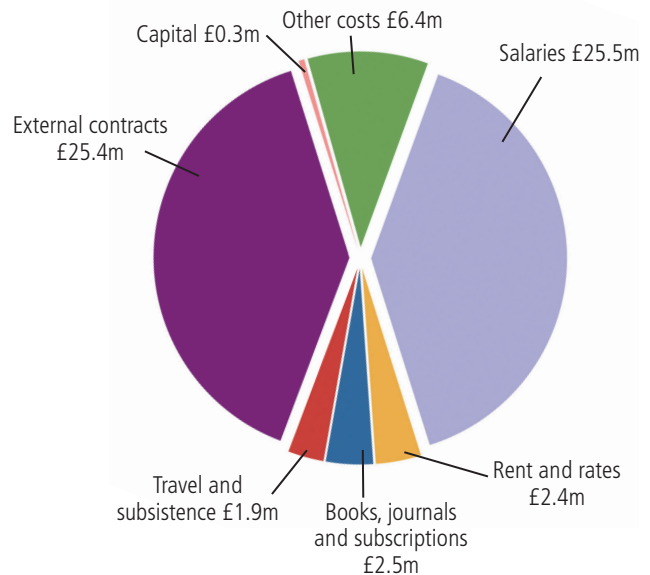
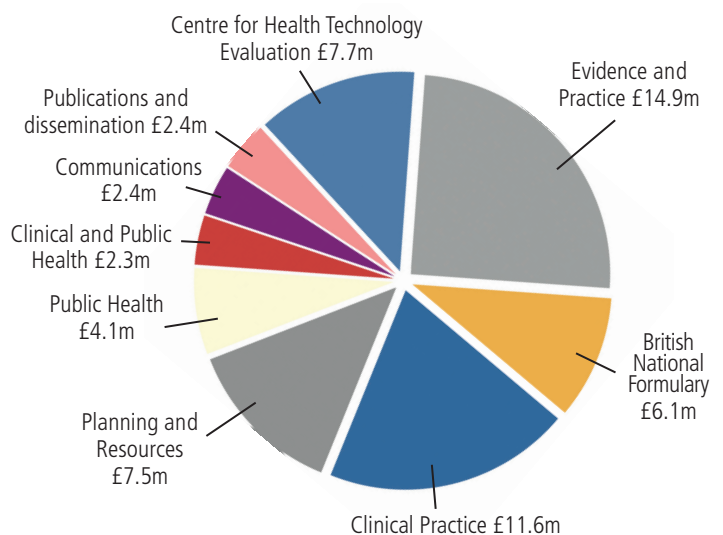


Figure 3: Net programme costs (£m)



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 2010/11	6,349	42,684
Total non-NHS bills paid within target	6,278	42,071
Percentage of non-NHS bills paid within target	98.9%	98.6%
Total NHS bills paid 2010/11	178	3,583
Total NHS bills paid within target	174	3,557
Percentage of NHS bills paid within target	97.8%	99.3%

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 six reportable incidents at work during the year which were risk assessed and appropriate action taken. No days were 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 developed a Sustainable Development Action Plan in 2007 and formed a staff committee (Green Group) to assist with achieving the targets. The Action Plan sets

out the organisation's targets to reduce our carbon footprint in areas such as energy management, sustainable procurement, recycling and water usage. Good progress has been made in all these areas.

In 2010/11, 55.6% of the waste from our London and Manchester offices was recycled, which exceeded our target of 45%. Half of the un-recycled waste from the London office was incinerated and did not go to landfill. We aim to introduce this for the Manchester office in 2011/12.

We have used substantially less paper this year for individual guidance documents, resulting in less related waste as we seek to use technology to reduce all forms of office waste. One such plan is to disseminate our guidance electronically rather than in paper form.

The main form of travel for NICE is by train and we discourage the use of air travel and private vehicle usage. One initiative we took part in this year was the 'walk to work week' which encourages staff to take the healthier option of walking to work where possible.

We are working on reducing the energy usage over both sites and the energy (kw/h) per head has decreased by 13.7% over the year, beating our target of 7.5%.

EQUALITY AND DIVERSITY

We are committed to promoting equality and eliminating unlawful discrimination. We have an Equality and Diversity policy and an equality scheme that ensures compliance with all relevant legislation and practice. All staff are required to attend equality and diversity training every three years.

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 available.

We make reasonable adjustments for disability – for example, with flexible working arrangements, working from home and adaptations to the working environment. We also have flexible working arrangements in place that are over and above the legislative 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.

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 2010/11 the percentage of days lost due to sickness was 1.90% (2009/10: 1.39%).

STATUTORY FRAMEWORK

The accounts for the year ending 31 March 2011 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with the National Health Service 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 Service Act 1977 c49, S.I. 1999/220, S.I. 260 and S.I. 2005/497.

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

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposes 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 is currently at second reading stage and, if enacted, the change to NICE's statutory status is expected to occur on 1 July 2012.

All the functions of NICE as a Special Health Authority would transfer to the NDPB, with funding from the Department of Health to continue. The accounts have therefore been prepared on a going concern basis.

OTHER INFORMATION

NICE is not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.

AUDITORS

The auditors carried out only standard audit work, and received no additional payments. The audit fee for 2010/11 was £59k 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 26– 27.

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 CBE
Chief Executive and Accounting Officer

Dated 6 June 2011

*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 salaries of the three consultant clinicians are 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 below 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 9 and has not been audited.

PERFORMANCE APPRAISAL

For all senior managers below executive director level, NICE complies with – and follows the procedures as 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 appraisal 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.

TERMS AND CONDITIONS: CHAIRS AND NON-EXECUTIVES

For chairs and non-executive members of the National Institute for Health and Clinical Excellence 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 Appointments Commission will usually consider afresh the question of who should be appointed to the office. However, the Appointments Commission 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 ten 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 Appointments Commission. Their

appointment will also be terminated if, in accordance with regulations, they become disqualified for the post. In addition, the Appointments Commission 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 to 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 no longer be in the interests of the health service for the appointee to continue in office. The list is not exhaustive or definitive; the Appointments Commission 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 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 Appointments Commission 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

		2010/11		2009/10			
Name	Title	Salary (bands of £5,000) £000	Other remuneration (bands of £5,000) £000	Benefits in kind (rounded to the nearest £00)	Salary (bands of £5,000) £000	Other remuneration (bands of £5,000) £000	Benefits in kind (rounded to the nearest £00)
Prof Sir Michael Rawlins	Chair	60 to 65	nil	nil	60 to 65	nil	nil
Dr Margaret Helliwell (1)	Vice Chair	5 to 10	nil	nil	5 to 10	nil	nil
Mercy Jeyasingham MBE	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Prof Helen Roberts	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Jenny Griffiths OBE	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	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Andrew McKeon (2)	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Prof David Hunter (3)	Non-Executive Director	5 to 10	nil	nil	0 to 5	nil	nil
Linda Seymour (4)	Non-Executive Director	5 to 10	nil	nil	0 to 5	nil	nil
Mark Taylor (5)	Vice Chair	nil	nil	nil	0 to 5	nil	nil
Revd Frederick George (6)	Non-Executive Director	nil	nil	nil	0 to 5	nil	nil
Sir Andrew Dillon	Chief Executive	180 to 185	5 to 10	nil	180 to 185	5 to 10	nil
Prof Peter Littlejohns	Clinical & Public Health Director	175 to 180	nil	nil	170 to 175	nil	nil
Dr Fergus Macbeth	Clinical Practice Centre Director	160 to 165	nil	nil	160 to 165	nil	nil
Dr Gillian Leng	Deputy Chief Executive and Evidence and Practice Director	170 to 175	nil	nil	150 to 155	nil	nil
Prof Carole Longson	Health Technology Evaluation Centre Director	125 to 130	0 to 5	nil	125 to 130	0 to 5	nil
Prof Michael Kelly	Public Health Excellence Director	105 to 110	0 to 5	nil	105 to 110	0 to 5	nil
Ben Bennett	Business Planning and Resources Director	115 to 120	0 to 5	nil	115 to 120	0 to 5	nil
Jane Gizbert	Communications Director	105 to 110	0 to 5	nil	105 to 110	0 to 5	nil
Val Moore (7)	Interim Implementation Director	95 to 100	0 to 5	nil	95 to 100	nil	nil

(1) Vice Chair from 20/05/09

(2) Non-Executive Director from 21/05/09

(3) Non-Executive Director from 01/11/09

(4) Non-Executive Director from 01/11/09

(5) End of Non-Executive services from 30/04/09

(6) End of Non-Executive services from 31/07/09

(7) End of Interim Director of Implementation from 30/06/10;
full year values stated

PENSION BENEFITS – SENIOR MANAGEMENT

Name	Title	Real increase in pension at 60 (bands of £2,500) £000	Lump sum at aged 60 related to real increase in pension (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2011 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2011 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2011 £000	Cash Equivalent Transfer Value at 31 March 2010 £000	Real increase in Cash Equivalent Transfer Value
Sir Andrew Dillon	Chief Executive	(0 to 2.5)	(2.5 to 5)	80 to 85	245 to 250	1,714	1,808	(176,955)
Prof Peter Littlejohns	Clinical & Public Health Director	(0 to 2.5)	(0 to 2.5)	65 to 70	205 to 210	1,399	1,473	(140,810)
Dr Gillian Leng	Deputy Chief Executive and Evidence and Practice Director	5 to 7.5	15 to 17.5	40 to 45	130 to 135	738	699	6,441
Prof Carole Longson	Health Technology Evaluation Centre Director	0 to 2.5	2.5 to 5	15 to 20	45 to 50	260	265	(16,986)
Prof Michael Kelly	Public Health Excellence Director	(0 to 2.5)	(0 to 2.5)	45 to 50	140 to 145	1,062	1,091	(79,765)
Ben Bennett	Business Planning and Resources Director	(0 to 2.5)	(0 to 2.5)	40 to 45	120 to 125	671	726	(89,101)
Dr Fergus Macbeth	Clinical Practice Centre Director	(0 to 2.5)	(2.5 to 5)	75 to 80	235 to 240	0	0	0
Jane Gizbert	Communications Director	0 to 2.5	0	0 to 5	0	54	37	14,681
Val Moore (1)	Interim Implementation Director	0 to 2.5	0 to 2.5	30 to 35	95 to 100	517	550	(40,830)

(1) End of Interim Director of Implementation from 30/06/10; full year values stated

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.

In his budget of 22 June 2010 the Chancellor announced that the annual increase of public sector pensions would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) with the change expected from April 2011. As a result the Government Actuaries Department undertook a review of all transfer factors. The new CETV factors have been used in the calculations and are lower than the previous factors used. The value of the CETVs for some members has therefore fallen since 31 March 2010.

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 CBE
Chief Executive and Accounting Officer
6 June 2011

ACCOUNTS 2010/11

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 CBE
Accounting Officer
6 June 2011

Statement on internal control 2010/11

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of 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 in 'Managing Public Money'.

NICE works closely with its sponsor branches at the Department of Health and the Welsh Assembly Government and there are arrangements in place for regular performance monitoring and review.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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 an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, 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 in NICE for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with 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.

CAPACITY TO HANDLE RISK

Responsibility for risk management has been delegated to the Audit Committee by the Board. The Audit Committee oversees the operation of the risk management processes and receives reports on specific risk issues as they arise. The Senior Management Team acts as the risk management group and reviews the risk register. Managers are required to consider risk issues in the formal 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.

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 the resources available.

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. A separate risk assessment exercise is carried out to establish the Board's assurance framework and to identify areas of organisational risk. This included a review of NICE's systems, equipment, policies, premises and information governance.

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.

NICE's internal auditors have assessed the risk maturity of NICE as 'risk managed'. They have also provided the following opinion: 'Based on the work undertaken in 2010/11, 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.' This is the highest possible rating available.

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 arrangements for transition to Non-Departmental Public Body (NDPB) status, subject to legislation, are being put in place through consultation with the Board. This includes expanding NICE's remit to cover social care. The Board is consulting with the Department of Health and social care bodies to agree a clear specification of NICE's role. Staff have been kept informed and reassured about the re-establishment of NICE and its expanded remit.

NICE is moving towards the digital publishing of its guidance and is re-developing its websites to take advantage of doing so. A Digital Strategy Steering Group has been established to manage this against planned timescales and provide assurances that

controls are in place to ensure awareness and acceptance of the changes from all stakeholders, especially end-users.

Significant efficiency savings will be required in order to achieve a balanced budget. Internal Audit has reviewed the processes in place to deliver cost-improvement plans and has provided assurances to the Board and Audit Committee that these are effective. The Senior Management Team is kept up to date with the changing financial position and availability of resources, and is fully engaged with the cost-improvement plans. Plans are in place to manage both confirmed and potential reductions in resource allocations from the Department of Health.

The National Prescribing Centre transferred into NICE on 1 April 2011. Work will continue to ensure effective governance arrangements and key operational systems are in place as well as the successful transfer of staff.

Recruitment restrictions have been in place since May 2010. NICE has followed the guidance laid down by the Department of Health to recruit to business critical posts. Requests for recruitment can only be approved by the Chief Executive and all such requests are fully documented. NICE is engaging with the Department of Health to agree guidance delivery schedules which reflect the current staffing resources available to NICE.

The work that Government has done on best practice to ensure the security of personal data held by government departments and arms' length bodies 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 data 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 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 these will 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 for key personnel as required.

There have been no Serious Untoward Incidents involving sensitive personal data in the past year and the overarching information risk is considered low.

However, in June 2010, a manufacturer's evidence submission containing information designated as 'commercial in confidence' by the manufacturer was placed on the NICE website at the start of public consultation. On being notified of the error NICE immediately removed the document from its website. Additional management controls have been put in place to minimise the risk of re-occurrence.

IT governance, as part of corporate governance, has delivered on NICE's business needs to date. 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.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer contributions and payments into the

Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in regulations.

Carbon reduction delivery plans are in place. NICE is participating in the 10:10 initiative and has committed itself to aiming for a reduction in its carbon emissions in line with the strategy during 2010/11. Progress is monitored and reported to the Board.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system 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 internal financial control. Where weaknesses have been identified these are reported to the Audit Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

Sir Andrew Dillon CBE
Chief Executive and Accounting Officer
6 June 2011

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the National Institute for Health and Clinical Excellence for the year ended 31 March 2011 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE BOARD, CHIEF EXECUTIVE AND AUDITOR

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and Chief Executive 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 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 the 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.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the National Institute for Health and Clinical Excellence's affairs as at 31 March 2011 and of its 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 with the approval of HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

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

MATTERS ON WHICH I REPORT BY EXCEPTION

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

10 June 2011

Financial statements 2010/11

STATEMENT OF COMPREHENSIVE NET EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 £000	2009/10 £000
Expenditure			
Staff costs	3	25,472	21,785
Depreciation & amortisation	4	615	472
Other expenditures	4	37,939	37,815
		<u>64,026</u>	<u>60,072</u>
Income			
Income from activities	6	(4,980)	(4,515)
Other income	6	0	0
		<u>(4,980)</u>	<u>(4,515)</u>
Net expenditure		59,046	55,557
Cost of capital		<u>0</u>	<u>56</u>
		<u>0</u>	<u>56</u>
Total Comprehensive Expenditure for the year ended 31 March 2011		<u>59,046</u>	<u>55,613</u>

The notes at pages 32 to 48 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	31 March 2011 £000	31 March 2010 £000
Non-current assets			
Property, plant and equipment	7	1,719	1,980
Intangible assets	7	245	267
Non-current receivables	8	0	0
Total non-current assets		1,964	2,247
Current assets			
Trade and other receivables	8	1,716	1,616
Other current assets	8	1,474	1,489
Cash and cash equivalents	9	563	175
Total current assets		3,753	3,280
Total assets		5,717	5,527
Current liabilities			
Trade and other payables	10	(1,703)	(2,564)
Total current liabilities		(1,703)	(2,564)
Non-current assets less net current liabilities		4,014	2,963
Non-current liabilities			
Provisions for liabilities and charges	11	(1,046)	(1,349)
Total non-current liabilities		(1,046)	(1,349)
Assets less liabilities		2,968	1,614
Taxpayers' equity			
General fund		2,887	1,525
Revaluation reserve		81	89
		2,968	1,614

The financial statements were approved by the Board on 2 June 2011 and signed by

Sir Andrew Dillon CBE, Accounting Officer

6 June 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 £000	2009/10 £000
Cash flows from operating activities			
Net surplus after cost of capital and interest		(59,046)	(55,613)
Adjustments for non-cash transactions	4	985	946
(Increase)/Decrease in trade and other receivables		(85)	(541)
Increase/(Decrease) in trade and other payables		(894)	703
Use of provisions	11	(673)	(54)
Net cash flows from operating activities		<u>(59,713)</u>	<u>(54,559)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(169)	(496)
Purchase of intangible assets	7	(130)	(141)
Net cash outflow from financing activities		<u>(299)</u>	<u>(637)</u>
Cash flows from financing activities			
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		0	(58)
Net financing		<u>(60,012)</u>	<u>(55,254)</u>
Net Parliamentary funding		60,400	55,200
Net increase/(decrease) in cash equivalents in the period		<u>388</u>	<u>(54)</u>
Cash and cash equivalents at the beginning of the period		<u>175</u>	<u>229</u>
Cash and cash equivalents at the end of the period		<u>563</u>	<u>175</u>

The notes at pages 32 to 48 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	General fund £000	Revaluation reserve £000	Total reserves £000
Balance at 31 March 2009	1,869	102	1,971
Funding from parent	55,200		55,200
Transfers between reserves	13	(13)	0
Non-cash charges – cost of capital	56		56
Comprehensive expenditure for the year	(55,613)	0	(55,613)
Movements in reserves	0	0	0
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2010	1,525	89	1,614
Changes in taxpayers' equity for 2009/10			
Funding from parent	60,400		60,400
Transfers between reserves	8	(8)	0
Comprehensive expenditure for the year	(59,046)		(59,046)
Movements in reserves	0	0	0
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2011	<u>2,887</u>	<u>81</u>	<u>2,968</u>

Notes to the accounts

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2010/11 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, currently before Parliament, if enacted will result in NICE's status changing from that of a Special Health Authority to a Non Departmental Public Body. It is expected that this will take effect from 1 July 2012.

All the current functions would transfer to the new organisation and funding from the Department of Health will continue. It is therefore considered appropriate to prepare the 2010/11 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. Such transfers are accounted for using merger accounting in accordance with FReM. The prior year comparatives are restated as appropriate so that it appears that the entity has always existed in its present form.

1.4 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.

1.5 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.

1.6 CAPITAL CHARGES

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2009/10 was 3.5% on all assets less liabilities, except for cash balances with the Government Banking Service, where the charge is nil. Following instructions from HM Treasury, there is no longer a requirement to include this notional charge.

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 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.

Due to the current economic climate and the negative pressure on prices, no indexation was applied to any asset class during 2010/11.

c. Depreciation and amortisation

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives
- 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, information technology 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

Where substantially all risks and rewards of ownership of a leased asset are borne by NICE, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Net Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Net Expenditure Account on a straight-line basis over the term of the lease.

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

IFRIC 19 'Extinguishing financial liabilities with equity instruments' is effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's manual for Accounts require this standard to be applied in 2010/11. The application of the IFRIC would not have a material impact on NICE's accounts in 2010/11, were it applied in that year.

IFRS 9 financial instruments – a new standard intended to replace IAS 39. The effective date is for accounting periods beginning on, or after 1 January 2013. This is not likely to have a future material impact on the financial statements of NICE.

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 are 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 back-office functions or overheads.

3. STAFF NUMBERS AND RELATED COSTS

	2010/11 Total £000	Permanently employed staff £000	Other £000	2009/10 Total £000
Salaries and wages	21,871	17,121	4,750	19,245
Social security costs	1,518	1,518		1,301
Employer contributions to NHSPA	2,215	2,215		1,859
	<u>25,604</u>	<u>20,854</u>	<u>4,750</u>	<u>22,405</u>
Less recoveries in respect to outward secondments	(132)	(132)		(620)
Total net costs	<u>25,472</u>	<u>20,722</u>	<u>4,750</u>	<u>21,785</u>

AVERAGE NUMBER OF PERSONS EMPLOYED

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

	2010/11 Total number	Permanently employed staff number	Other number	2009/10 number
Directly employed	451	397	54	390
Other				
Total	<u>451</u>	<u>397</u>	<u>54</u>	<u>390</u>

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 2010/11.

Redundancies and terminations

During 2010/11 there were 11 redundancies/terminations, totalling £591k (2009/10: seven cases at £1,130k).

PENSIONS COST

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. The Scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an

accounting valuation every year. An outline of these follows:

a) 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 to be paid by employers and Scheme members. The last such valuation, which determined current contribution rates, was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation Report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the Scheme Actuary, Scheme contributions may be varied from time to time to reflect changes in the Scheme's liabilities.

b) Accounting valuation

A valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data. 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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

In 2008/09 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:

ANNUAL PENSIONS

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 upon 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'.

PENSIONS INDEXATION

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

LUMP SUM ALLOWANCE

A lump sum is payable on retirement which is normally three times the annual pension payment.

ILL-HEALTH RETIREMENT

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

DEATH BENEFITS

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

TRANSFER BETWEEN FUNDS

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

PRESERVED BENEFITS

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

COMPENSATION FOR EARLY RETIREMENT

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

4. PROGRAMME COSTS

	Notes	2010/11 £000	2009/10 £000
Non-cash items:			
Depreciation		463	367
Amortisation		152	105
Capital charges interest		0	56
(Profit)/loss on disposal		0	101
Provisions provided for in year	11	370	317
Unwinding of discount on provisions	11	0	0
		<u>985</u>	<u>946</u>
Rentals under operating leases		1,863	1,719
Auditor's remuneration: audit fees*		59	54
Premises and fixed plant		3,043	2,644
Transport and moveable plant		17	24
External contractors		25,709	24,354
Publications and conferences		773	1,105
Establishment expenses		3,549	4,681
Supplies and services – general		2,556	2,816
		<u>38,554</u>	<u>38,343</u>

*No non-audit fees were charged

5. RECONCILIATION

5.1 Reconciliation of expenditure to net resource outturn

	2010/11 £000	2009/10 £000
Net expenditure	59,046	55,613
Prior period adjustment	0	0
Net resource outturn	<u>59,046</u>	<u>55,613</u>
Revenue resource limit	<u>70,438</u>	<u>57,464</u>
(Over)/underspend against limit	<u>11,392</u>	<u>1,851</u>

5.2 Reconciliation of capital expenditure to capital resource limit

	2010/11 £000	2009/10 £000
Gross capital expenditure	332	457
NBV of assets disposed	0	101
Net capital resource outturn	<u>332</u>	<u>356</u>
Capital resource limit	<u>620</u>	<u>500</u>
(Over)/underspend against limit	<u>288</u>	<u>144</u>

6. OPERATING INCOME ANALYSED BY CLASSIFICATION AND ACTIVITY

	2010/11 Total £000	2009/10 Total £000
Income from strategic health authorities	1,894	1,839
Income received from National Assembly for Wales	600	600
Income received from Northern Ireland Assembly	185	179
Other NHS income	266	238
Department of Health income	179	187
Income received from Scottish Parliament	125	121
Income from other government departments	3	135
Income received from NHS Connecting for Health	0	90
Income received from NHS Institute for Innovation and Improvement	0	43
Income from sale of services	1,485	889
Publications income	147	132
Reimbursement of travel costs	76	48
Royalties	20	14
Total	4,980	4,515

7. NON-CURRENT ASSETS

7.1 Intangible assets

	Software licences £000
Cost or valuation	
At 1 April 2010	419
Additions – purchased	130
Disposals	0
At 31 March 2011	549
Amortisation	
At 1 April 2010	152
Charged during the year	152
Disposals	0
At 31 March 2011	304
Net book value at 31 March 2011	245
	£000
Cost or valuation	
At 1 April 2009	298
Additions – purchased	130
Disposals	(9)
At 31 March 2010	419
Amortisation	
At 1 April 2009	56
Charged during the year	105
Disposals	(9)
At 31 March 2010	152
Net book value at 31 March 2010	267

7.2 Property, plant and equipment

2010/11

	Tenants leasehold improvement £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Payments on account and assets under construction £000	Total £000
Cost or valuation						
At 1 April 2010	1,417	267	364	1,062	0	3,110
Additions – purchased	0	55	147	0	0	202
Disposals	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
At 31 March 2011	1,417	322	511	1,062	0	3,312
Depreciation						
At 1 April 2010	219	192	174	545	0	1,130
Charged during the year	260	37	59	107	0	463
Disposals	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
At 31 March 2011	479	229	233	652	0	1,593
Net book value at 31 March 2011	938	93	278	410	0	1,719
Net book value at 31 March 2010	1,198	75	190	517	0	1,980
Asset financing						
Owned	938	93	278	410	0	1,719
Finance leased	0	0	0	0	0	0
Net book value	938	93	278	410	0	1,719

Property, plant and equipment are valued using indices. No indexation was applied in 2010/11. No assets were donated during 2010/11.

2009/10

	Tenants leasehold improvement £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Payments on account and assets under construction £000	Total £000
Cost or valuation						
At 1 April 2009	1,137	261	430	1,039	169	3,036
Additions – purchased	229	6	69	23	0	327
Disposals	(118)	0	(135)	0	0	(253)
Reclassification	169	0	0	0	(169)	0
At 31 March 2010	1,417	267	364	1,062	0	3,110
Depreciation						
At 1 April 2009	125	151	201	438	0	915
Charged during the year	130	41	89	107	0	367
Disposals	(36)	0	(116)	0	0	(152)
Reclassification	0	0	0	0	0	0
At 31 March 2010	219	192	174	545	0	1,130
Net book value at 31 March 2010	1,198	75	190	517	0	1,980
Net book value at 31 March 2009	1,012	110	229	601	169	2,121
Asset financing						
Owned	1,198	75	190	517	0	1,980
Finance leased	0	0	0	0	0	0
Net book value	1,198	75	190	517	0	1,980

7.3 Profit/(loss) on disposal of fixed assets	2010/11	2009/10
	£000	£000
Profit/(Loss) on disposal of intangible fixed assets	0	0
Profit/(Loss) on disposal of property, plant and equipment	0	(101)
	<u>0</u>	<u>(101)</u>

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2010/11	2009/10
	£000	£000
Amounts falling due within one year		
Trade receivables	1,711	1,616
Other receivables	5	0
Prepayments and accrued income	1,474	1,489
	<u>3,190</u>	<u>3,105</u>
Amounts falling due after more than one year		
Prepayments and accrued income	0	0
	<u>0</u>	<u>0</u>

8.1 Intra-government balances

	2010/11	2009/10
	£000	£000
Balances with other central government bodies	1,156	1,030
Balances with local authorities	695	32
Balances with NHS bodies	0	0
Balances with public corporations and trading funds	0	0
	<u>0</u>	<u>0</u>
Subtotal	1,156	1,030
Balances with bodies external to government	2,034	2,074
Total	<u>3,190</u>	<u>3,105</u>

9. CASH AND CASH EQUIVALENTS

	2010/11	2009/10
	£000	£000
Balance at 1 April	175	229
Net change in cash and cash equivalent balances	388	(54)
Balance at 31 March	<u>563</u>	<u>175</u>
The following balances at 31 March were held:		
Government Banking Service	563	175
Commercial banks and cash in hand	0	0
Balance at 31 March	<u>563</u>	<u>175</u>

10. TRADE PAYABLES AND OTHER LIABILITIES

	2010/11 £000	2009/10 £000
Amounts falling due within one year		
Trade payables	(397)	(768)
Capital creditors	(33)	0
Tax and social security	0	(1)
Accruals and deferred income	<u>(1,273)</u>	<u>(1,795)</u>
	<u>(1,703)</u>	<u>(2,564)</u>
Amounts falling due after more than one year		
Other payables	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
10.1 Intra-government balances	2010/11 £000	2009/10 £000
Balances with other central government bodies	(123)	(261)
Balances with local authorities	0	0
Balances with NHS Trusts	(15)	(81)
Balances with public corporations and trading funds	<u>0</u>	<u>(1)</u>
	Subtotal	(342)
Balances with bodies external to government	<u>(1,565)</u>	<u>(2,222)</u>
	Total	(2,564)
	<u>(1,703)</u>	<u>(2,564)</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £000
Balance at 1 April 2009	1,086
Arising during the year	577
Utilised during the year	(54)
Provisions not required written back	(260)
Unwinding of discount	<u>0</u>
Balance at 1 April 2010	1,349
Arising during the year	442
Utilised during the year	(673)
Provisions not required written back	(72)
Unwinding of discount	<u>0</u>
At 31 March 2011	<u>1,046</u>
Analysis of expected timing of discounted flows	
Within 1 year	75
1–5 years	(793)
Over 5 years	(328)

As at 31 March 2011 NICE has made a provision of £200k in respect of expected dilapidation and £846k for deferred Lease Incentives. 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 is uncertain but the 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.

12. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2011 for which no provision has been made (2009/10: none).

13. COMMITMENTS UNDER LEASE

13.1 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.

	2010/11 £000	2009/10 £000
Obligations under operating leases comprise:		
<u>Buildings</u>		
Not later than one year	0	0
Later than one year and not later than five years	861	1,125
Later than five years	578	689
	<u>1,439</u>	<u>1,814</u>
<u>Other leases</u>		
Not later than one year	15	4
Later than one year and not later than five years	28	39
Later than five years	0	0
	<u>43</u>	<u>43</u>

13.2 Finance Lease

There are no Finance Lease payments for 2010/11 (2009/10: none).

14. OTHER FINANCIAL COMMITMENTS

NICE has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payments to which NICE was committed during 2010/11 analysed to the period during which the commitment expires are as follows:

	2010/11 £000	2009/10 £000
Not later than one year	1,479	1,313
Later than one year and not later than five years	78	160
Later than five years	0	0
	<u>1,557</u>	<u>1,473</u>

15. CONTINGENT LIABILITIES

NICE has no contingent liabilities (2009/10: none).

16. 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. Special Payments include compensation payments which are made under legal obligation.

	2010/11 Number	2010/11 £000	2009/10 Number	2009/10 £000
Losses	514	36	524	48
Special payments	1	47	2	58

17. 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. 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
Ashton, Leigh and Wigan PCT	266	
Birmingham Women's NHS Foundation Trust		59
Department of Health	206	
Derby Hospitals NHS Foundation Trust		456
East Midlands Strategic Health Authority	172	
East of England Strategic Health Authority	191	
Frimley Park Hospital NHS Foundation Trust		238
Health Protection Agency		128
King's College Hospital NHS Foundation Trust		342
Liverpool PCT		378
Moorfields Eye Hospital Foundation Trust		71
Newcastle upon Tyne Hospitals NHS Foundation Trust		251
NHS London	487	
NHS Shared Business Services		112
North East Strategic Health Authority	140	
Oxford Radcliffe Hospital NHS Trust		167
Royal Free Hampstead NHS Trust		162
Sheffield Children's NHS Foundation Trust		70
South Central Strategic Health Authority	150	
South East Coast Strategic Health Authority	125	
South West Strategic Health Authority	192	
St George's Healthcare NHS Trust		255
University College London Hospitals Foundation Trust		80
Velindre NHS Trust		966
West Midlands Strategic Health Authority	211	
Yorkshire and the Humber Strategic Health Authority	226	

There were no material debtor and creditor balances outstanding for the above related parties at 31 March 2011 with the exception of a Department of Health debtor balance of £217k.

18. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10 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 the notice of the phasing out of primary care trusts, Department of Health ministers have approved the transfer of functions of the National Prescribing Centre, which was hosted by Liverpool PCT, to NICE.

The transfer took place on 1 April 2011. The annual recurring resource allocation of £2.4 million was transferred, together with 28 whole-time equivalent staff.

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposes 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 is currently at second reading stage and, if enacted, the change to NICE's statutory status is expected to occur on 1 July 2012.

19. 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 2011 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 2011				
Sterling	563	0	563	0
Other	0	0	0	0
Gross financial assets	563	0	563	0
At 31 March 2010				
Sterling	175	0	175	0
Other	0	0	0	0
Gross financial assets	175	0	175	0

Financial assets by category

Assets as per Statement of Financial Position	2010/11	2009/10
	£000	£000
<u>Current</u>		
Trade and other receivables	1,716	1,616
Other current assets	1,474	1,489
Cash and cash equivalents	563	175
	3,753	3,280
<u>Non-current</u>		
Receivables	0	0
	0	0

Financial liabilities

Liabilities as per Statement of Financial Position	2010/11	2009/10
	£000	£000
<u>Current</u>		
Trade and other payables	(1,703)	(2,564)
Other liabilities	0	0
	(1,703)	(2,564)
<u>Non-current</u>		
Provisions for liabilities and charges	(1,046)	(1,349)
Other payables	0	0
	(1,046)	(1,349)

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.

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