



*National Treatment Agency
for Substance Misuse*

National Treatment Agency Annual Accounts 2009/2010

Presented to Parliament pursuant to Schedule 15
of the National Health Service Act 2006

Ordered by the House of Commons to be printed 29 June 2010





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ISBN: 9780102967272

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2373741 07/10 3800 19585

Printed on paper containing 75% recycled fibre content minimum.

ANNUAL REPORT

NTA Business activities, Board membership and Governance

The accounts for the year ended 31 March 2010 have been prepared in accordance with the direction given by the Secretary of State under Schedule 15 of the National Health Service Act 2006 and in a format as instructed by the Department of Health (DH) with the approval of the Treasury.

Nature of the NTA business and its Aims, Objectives and Activities

The National Treatment Agency for Substance Misuse (NTA) is a Special Health Authority within the NHS, established by Government on 1 April 2001 to improve the availability, capacity and effectiveness of treatment for drug misuse in England.

The NTA is the delivery agent for the treatment aim in the Government's strategy and is responsible for the delivery of the Department of Health's Public Service Agreement, which requires a 1% per year growth in the number of Problem Drug Users in effective treatment. The NTA Head Office is located at Skipton House in the Elephant and Castle, London. In addition the NTA has regional teams operating from the nine Government Office Regions throughout England.

Accounting Officer's Responsibilities

As Accounting Officer the Chief Executive has responsibility for maintaining sound systems of internal control which support the achievement of the NTA's policies, aims and objectives, whilst safeguarding public funds and departmental assets for which he is personally responsible. These responsibilities are set out in the HM Treasury document, Managing Public Money.

Corporate Governance and Risk Management

The NTA is committed to ensuring the highest standard of corporate governance. The NTA Board has the responsibility for defining strategy and ensuring resources are allocated to ensure the delivery of the NTA objectives. The NTA has a Risk Management Policy and Strategy approved by the Board. Key risks are set out in the NTA's strategic and corporate risk register. The risk management process is embedded within the NTA through regular discussion in the Audit and Risk Committee, senior management team meetings and regular management meetings across NTA directorates.

Membership of the Board, Audit and Risk (A & R) Committee & Human Resources (HR) Committee

Executive and Non-Executive Directors of the NTA Board

Executive Directors of the NTA

Paul Hayes	Chief Executive
Annette Dale-Perera	Director of Quality (<i>until 21 June 2009</i>)
Jon Hibbs	Director of Communications
Stephen Hodges	Director of Corporate Services
Rosanna O'Connor	Director of Delivery

Non Executive Directors (NED) of the NTA

Doreen Massey	Chair (also Chair of HR Committee)
Andy Buck	NED (also A & R Committee)
Alison Comley	NED (also A & R Committee)
Kate Davies	NED (also A & R & HR Committees)
Grantley Haynes	NED (also A & R & HR Committees) (<i>until 30.06.2009</i>)
Peter McDermott	NED
Gabriel Scally	NED
Tony Cooke	NED (also HR Committee) (appointed 01.06.2009)
Gill Laver	NED (Chair of A & R Committee and member of HR Committee) (<i>appointed 01.06.2009</i>)
Adrian Evans	NED (also A & R Committee) (<i>appointed 01.08.2009</i>)

Details of remuneration can be found in the remuneration report below. Details on pension liabilities and statements of the pension scheme can be found in section 1.12 of the accounting policies within the accounts.

Register of Interests

The NTA maintains a Register of Interests for Executive and Non-Executive Directors. The policy was updated and approved by the Board in October 2009. It is available to the public. Where any decisions are taken which could give rise to a possible or perceived conflict of interest, Executive or Non Executive Directors will make a declaration of interest. At the Chair's discretion he or she may be asked to withdraw for the duration of any discussion of the item.

Where possible conflicts of interest have or could be perceived to have arisen during the period 1 April 2009 to 31 March 2010, declarations of interest were made at the relevant meeting and were minuted.

Significant interests registered by Executive and Non Executive Directors which may conflict with their management interests are as follows;

Doreen Massey:	Labour working peer
Andy Buck:	Chief Executive, NHS Rotherham
Alison Comley:	Service Director, Bristol City Council
Kate Davies:	Asst. Director Strategy, Equality and Diversity, NHS Nottinghamshire: Prison Treatment Review Board : Diversity Ambassador for Public Appointments Commission
Gabriel Scally:	Regional Director of Public Health NHS South West
Peter McDermott:	Consultant, UK Harm Reduction Alliance
Tony Cook:	Asst. Director, Commissioning and Strategic Development, NHS Kirklees
Gill Laver:	Non Executive Director, West Midlands Strategic Health Authority
Adrian Evans:	Non Executive Director, SPODA and the National Probation Service Derbyshire

Risk Management

The NTA's risk management and internal control systems are the responsibility of the Senior Management Team (SMT) who report key organisational risks to the Audit and Risk Committee and the Board. The key risks are then monitored through the Corporate Strategy, Business Plans and resultant work plans across NTA directorates. As part of the risk assessment, ownership of each key risk is identified by Executive Directors and communicated to the responsible teams.

Executive Directors have responsibility for monitoring and managing risks within their respective directorates. The NTA Board approved a revised Risk Management Policy and Strategy in July 2009.

As part of the Strategy the NTA's Strategic/High Risk Register is updated regularly and reviewed by the SMT. Each year there is a comprehensive refresh of all Directorate Risk registers, the aim is to ensure that risks are identified and appropriate action plans are in place to mitigate any risks identified.

Equal Opportunities

The NTA is committed to action to ensure equal access to relevant and appropriate drug treatment services for the whole population. In addition is committed to ensure, the eradication of unlawful discrimination and the promotion of equal opportunities with respect to ethnicity, age, culture, gender, sexuality, mental ability, mental health, geographical location, offending background, physical ability, political beliefs, religion, health or status or any other specific factors which result in discrimination for drug treatment services and NTA staff.

Staff Resources

During 2008/09 the NTA employed an average of 195 full-time equivalent staff. These include permanent, agency and fixed term contract staff. The NTA Head Office is based in London with approximately 105 staff based at premises in the Elephant and Castle. NTA Regional staff are based in 9 locations within government regional offices.

Until December 2009 the NTA managerial structure operated through 4 Directorates; Communications; Corporate Services; Delivery and Quality. However, a structural review was undertaken in 2009 which made changes to the NTA managerial structure; as a consequence effective from 1 January there are now 3 Directorates; Communications, Corporate Services and Delivery.

Employee Consultation

The NTA is committed to consulting and advising its staff on relevant issues which may have an impact on them. It does this through consultation with appointed staff representatives and through regular meetings with representatives as well as through newsletters, the NTA Intranet and electronic mail.

Better Payments Practice Code

The Better payments practice code target is to pay non-National Health Service (NHS) trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed. In 2009/10, 90.41 percent of bills, representing 98.49% by value, were paid within the target. For NHS bills, the corresponding figures were 58.33% of bills representing 49.22% by value were paid within the target. The NTA used the NHS Shared Business Services in 2009/10 to process payments on the NTA's behalf.

Sustainable Development

Work on the NTA's environmental sustainability was a key consideration in the process of relocation to Skipton House in March 2009, work pressures have meant that the a review of the policy and further work has been delayed in 2009/10 The NTA sustainability policy is in the process of being reviewed and will be presented to the Board in the Autumn of 2010 with an action plan being implemented later in the year.

Information Governance

The NTA continued to implement the requirements and recommendations of the Information Governance Assurance Programmes (IGAP) in 2009/10. The NTA's Internal Auditors RSM Tenon undertook an audit on Information Governance in September 2009.

The audit identified that 12 out of 18 measures were substantiated and had been completed. The 6 remaining measures are in the process of being implemented and since the audit was undertaken good progress has been made in completing the outstanding areas of work.

The NTA progress towards full compliance with the requirements of IGAP Regular returns will be reported to the NTA Audit and Risk Committee.

There were no serious untoward incidences involving data within the NTA in 2009/10.

Sickness Absence

The NTA monitors sickness absence levels for its staff on a quarterly basis. This is then reported to the NTA Senior Management Team and to the Department of Health as necessary. Sickness absence levels within the NTA were an average of 6 days per member of staff in 2009/10.

International Financial Reporting Standards

Government bodies have adopted International Financial Reporting Standards (IFRS) from the reporting period 2009/10. This means that the NTA's 2008/09 balances and results have been re-calculated on an IFRS basis to permit the presentation of IFRS adjusted comparators in the 2009/10 accounts. The NTA has therefore re-calculated the 1 April 2008 balance sheet in IFRS terms to allow re-calculation of 2008/09 figures.

The Treasury has issued the IFRS Financial Reporting Manual, which gives guidance on the implementation of IFRS in the NHS.

Management Commentary

Drug treatment in England has come a long way in the last decade. The NTA was set up in 2001 with dedicated funding to implement the Government's strategy to increase participation in drug treatment programmes. At the time there were about 85,000 addicts receiving treatment, and national research had confirmed that treatment reduced drug use, cut crime and improved public health.

The NTA's ambitious agenda was set by an Audit Commission investigation, *Changing Habits* (2002) which reported inadequate capacity in the system, patchy provision across the country, high drop-out rates and waiting lists as long as a year. Within a few years a follow-up report found the NTA had made "impressive progress". This continued steadily so that by 2009 there were over 200,000 drug users in treatment, the average wait to start treatment was less than a week, and most users stayed in treatment long enough for it to be clinically effective.

Once the building blocks to increase access and expand capacity were in place, underpinned by a ring-fenced pooled treatment budget, the NTA shifted its focus from getting more users into treatment and retaining them, to emphasising that the ultimate goal of treatment will always be for users to achieve abstinence from their drug or drugs of dependency.

From 2005 onwards, the NTA's Treatment Effectiveness Strategy placed increasing priority on improving outcomes, through rigorous care planning within each treatment programme intending to lead to a planned exit that would integrate users into their community. This approach was enshrined in the 2008 drug strategy, *Drugs: Protecting Families and Communities*, as consensus built across the treatment field and practitioners became increasingly oriented towards the recovery and integration of their clients.

So the current position is encouraging. Anyone who needs treatment can now get it quickly, and record numbers of drug users are receiving help. The numbers dropping out of treatment early are falling, the numbers staying in long enough to benefit are rising, and the numbers successfully completing treatment free of dependency are increasing.

Four out of five adults in treatment either complete a programme satisfactorily, or stay in treatment long enough for them and society to benefit. Families and communities benefit too, because drug misusers in treatment commit less crime, pose less of a public health risk, and are more likely to hold down jobs, be responsible parents, and engage with society.

The treatment system today

The NTA is a unique organisation that works in partnership with a range of services and agencies on a national, regional and local level. As a special health authority of the NHS, the NTA is funded by, and reports to, the Department of Health, and operates on their behalf the National Drug Treatment Monitoring System (NDTMS) to provide basic data that renders the treatment system transparent. The NTA is also accountable to the Home Office, the lead department on drugs policy, and the other partners to the drug strategy, particularly the Department for Children, Schools and Families, the Ministry of Justice, and the Department for Work and Pensions.

This cross-cutting role means that the NTA guarantees accountability both as a centre of expertise and information for a variety of policy-makers, and as their performance management arm assuring the quality and value for money of drug treatment services.

However, the success of the NTA depends on the performance of local drug treatment partnerships. The NTA oversees a decentralised system in which 149 local bodies (historically called Drug Action Teams, but now usually subsumed into Crime and Disorder Reduction Partnerships) are judged on the range, quality and effectiveness of the treatment they commission from the NHS, the voluntary sector or, in some cases, the for-profit sector.

Half the funding for services is allocated via the Department of Health through the pooled treatment budget for substance misuse. A quarter comes from other Government departments via the criminal justice system, and the rest is supplemented locally by primary care trusts and local authorities. The NTA monitors national standards and assures the quantity and quality of the treatment provided, in accordance with clinical guidelines set down by the National Institute for Clinical Guidance (NICE).

Drug treatment focuses on those who become dependent, and whose drug use causes problems for themselves and others. Although all illegal drug use is dangerous, not every drug user requires treatment; many people who use powder cocaine, ecstasy or cannabis, and not crack or heroin will stop of their own volition without the need for treatment.

Three-quarters of the adults currently in treatment are heroin and/or crack addicts, many of them entrenched users who will typically spend several years going in and out of treatment before they sustain recovery. Those dependent on other drugs, including cocaine, amphetamines and cannabis will generally require less time in treatment and have a better prognosis. Every year, each of the 149 local drug partnerships undertakes a needs assessment of the need for treatment in their catchment area and commissions a balanced range of local services accordingly.

Nationally, the NTA contributes to a number of Public Service Agreements (PSAs), notably PSA 25, to reduce the harm caused by alcohol and drugs. The NTA has lead responsibility for meeting indicator 1 of PSA 25, to increase year-on-year the number of Problem Drug Users (i.e. heroin and crack addicts) in effective treatment.

This national commitment is reflected locally through the requirements of NHS Vital Signs for PCTs and is included in the National Indicator Set for local authorities, so that this single national target applies to all local drug partnerships. However, under the principle of decentralisation, partnerships are also encouraged to choose additional local priorities to tackle specific areas of need that they have identified. Last year, more than 100 focussed on access to employment and more than 80 on access to housing, to help drug users in treatment become contributing members of society.

Performance 2009/10

The NAO published a report "Tackling Problem Drug Use" in March 2010 which reviewed progress against the Government's 2008 Drug Strategy.

The report concluded that "The National Treatment Agency has delivered significant growth in the number of problem drug users in effective treatment and drug treatment has an estimated cost benefit ratio of 2.5:1".

Performance against key indicators for 2009/10 was as follows:

- Over 168,000 Problem Drug Users were in effective treatment in the 12 months up to February 2010, exceeding the PSA target for 2009/10 by 9,000.
- There were 213,000 individuals in contact with the treatment system, 4,000 more than in the previous year.
- The rate of inappropriate early drop out for all adults newly starting treatment remained low at 17% as of February 2010.
- 96% of individuals accessed treatment within 3 weeks of referral, a 1% increase on 2009 performance.
- The number of individuals leaving treatment satisfactorily in the 12 months to February 2010 was 28,000. Changes in definitions mean that direct comparisons to previous years are not possible.
- The total treatment funding per adult in effective treatment was £3,000 in 2009/10 this is the same as last year and £700 less per adult than in 2006/07.

All data for 2009/10 is provisional as of February 2010.

Notes:

Audit Commission (2002) **Changing habits:** the Commissioning and Management of Community Drug Services for Adults. London: Audit Commission

Financial Performance

The NTA is allocated Revenue annually by the DH. The NTA also receives funding through the Home Office to cover costs associated with the Drug Interventions Programme. In addition, funding has been provided jointly by the Home Office and DH for work on System Change Pilots. Further funding was also provided by the DH for a number of projects managed by the NTA in 2009/10. In 2009/10 the Net Expenditure was £10,916k against a Revenue Resource limit of £11,435 resulting in an underspend in the year of £519k. As a consequence, the NTA has achieved its financial duties in relation to the Revenue Resource limit.

Name of auditor

The accounts have been audited by the National Audit Office (NAO) who is appointed as the NTA's external auditors. The NAO's Comptroller and Auditor General has carried out the statutory audit on NTA accounts in 2009/10 and has reported accordingly to the NTA Board and Audit and Risk Committee throughout the 2009/10 financial year. The NAO remuneration for audit work in 2009/10 does not include any amounts for non audit work.

The NTA Internal Audit is provided by RSM Tenon.

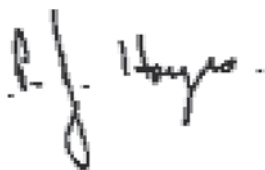
The accounts have been certified by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The audit certificate is on pages 17 & 18.

Political and Charitable Donations

The NTA made no political or charitable donations during the year.

Audit Assurance Statement

The Accounting Officer has taken steps to ensure that he is aware of any relevant audit information and to ensure that the NTA auditors are aware of that information. As far as the Accounting officer is aware, there is no relevant audit information of which the NTA auditors are unaware.

A handwritten signature in black ink, appearing to read 'P. Hayes'.

Paul Hayes
Chief Executive
14 June 2010

REMUNERATION REPORT 2009/10

1. Introduction

This report covers the position of the Senior Managers of the NTA. Senior Managers can be described as those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NTA. This means those who influence the decisions of the NTA as a whole, rather than the decisions of individual directorates or departments.

For the purposes of this Remuneration Report, it covers the position of the executive and non-executive directors.

The disclosures in this remuneration report have been provided with their explicit written consent.

2. Membership of the Board, Audit and Risk (A & R) Committee & Human Resources (HR) Committee

Executive and Non-Executive Directors of the NTA Board

Executive Directors of the NTA

Paul Hayes	(Chief Executive)
Annette Dale-Perera (until 21.06.2009)	(Director of Quality)
Jon Hibbs	(Director of Communications)
Stephen Hodges	(Director of Corporate Services)
Rosanna O'Connor	(Director of Delivery)

Non Executive Directors (NEDs) of the NTA

Doreen Massey	(Chair) (also Chair of HR Committee)
Andy Buck	(NED) (also A & R Committee)
Tony Cooke (from 01.06.2009)	(NED) (also HR Committee)
Alison Comley	(NED) (also A & R Committee)
Kate Davies	(NED) (also A & R & HR Committees)
Adrian Evans (from 01.08.2009)	(NED) (also A & R Committee)
Grantley Haynes (until 30.06.2009)	(NED) (also A & R & HR Committees)
Gill Laver (from 01.06.2009)	(NED) (also A & R Chair & HR Committee)
Peter McDermott	(NED)
Gabriel Scally	(NED)

3. Statement of NTA policy on the remuneration of senior managers

Senior Managers in the NTA are paid in accordance with the terms and conditions for Senior Managers' posts as set out in Health Service Circular 1998/017 and subsequent amendments.

In July 2007 the Department of Health issued a revised pay framework for Very Senior Managers (VSMs) within Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts. The revised arrangements covered Chief Executives, Executive Directors and senior managers with Board level responsibilities who report directly to the Chief Executive. The new arrangements placed Chief Executives on one of three pay ranges with Executive Directors pay paid at a percentage of the Chief Executives range. The revised arrangements prescribe payments relating to recruitment and retention payments, annual uplifts and performance bonus scheme.

The NTA Board and Arms Length Body Performance Oversight Committee (PAPOC) agreed revised pay arrangements for NTA VSMs in 2007/08 and these have been implemented in line with the revised framework. The agreement sets Executive Directors pay at 65% of the mid point of the Chief Executives' pay range and includes a Recruitment and Retention supplement placing Executive Directors at 75% of the Chief Executives' mid point.

The VSM framework includes provision for a performance bonus. This is based on organisational targets and performance. Organisational targets have been set by the Board for the organisation and these have been agreed with the Department of Health. Performance payments have been agreed which are conditional on these targets being met.

In 2009/10 the Department of Health confirmed that an award of 1.5% to be paid to VSM's with effect from 1 April 2009. A same award was agreed for the NTA Chair and Non Executive Directors. In addition a performance bonus was agreed for VSM's based on 5% of pay. This payment is reflected in the 'Salaries and Allowances' column within the table below.

4. Duration of contracts, notice periods and termination periods for Senior Managers

Each Executive Senior Manager within the NTA is employed on a 'permanent' contract of employment. Contracts provide for the provision of a notice period of three months on either side, with the exception that the period of notice may be waived in the case of gross misconduct. Non Executive Directors are appointed for a three year period which may be extended to a maximum of 10 years by agreement with the Secretary of State for Health.

5. Remuneration of senior managers during 2009/10

The remuneration relating to all senior managers in post during 2009/10 is detailed in the tables below, which identify the salary, other payments, allowances and pension benefits applicable to both Executives and Non-Executives and are subject to audit.

Salaries & Allowances

Name and title	2009/10	Benefits in kind (rounded to the nearest £100)	2008/09	Benefits in kind (rounded to the nearest £100)
	Salaries & Allowances (bands of £5,000)		Salaries & Allowances (bands of £5,000)	
Paul Hayes Chief Executive	135–140	0	130–135	0
Annette Dale-Perera (to 21.06.09) Director of Quality	20–25	0	100–105	0
Jon Hibbs Director of Communications	90–95	0	0	0
Stephen Hodges Director of Corporate Services	90–95	0	100–105	0
Rosanna O'Connor Director of Delivery	90–95	0	100–105	0
Doreen Massey Board Chair	20–25	0	20–25	0
Tony Cooke (from 01.06.09) Non-Executive Director	5–10	0	0	0
Alison Comley Non-Executive Director	5–10	0	5–10	0
Kate Davies Non-Executive Director	10–15	0	5–10	0
Adrian Evans (from 01.08.09) Non-Executive Director	5–10	0	0	0
Grantley Haynes (to 30.06.09) Non-Executive Director	1–5	0	5–10	0
Gill Laver (from 01.06.09) Non-Executive Director	10–15	0	0	0
Peter McDermott Non-Executive Director	5–10	0	5–10	0

Pension Benefits

Name and title	Real	Real	Total	Lump sum	Cash	Cash	Real	Employer's
	increase	increase	accrued	at age 60				
	in pension	in pension	pension at	pension at	Equivalent	Equivalent	increase	contri-
	at age 60	at age 60	age 60 at	age 60	Transfer	Transfer	in Cash	bution
	(bands of	(bands of	31 March	31 March	Value at	Value at	Equivalent	to stake-
	£2,500)	£2,500)	2010	2010	31 March	31 March	Transfer	holder
	£000	£000	(bands of	(bands of	2010	2009	Value	pension
			£5,000)	£5,000)	£000	£000	£000	£000
Paul Hayes Chief Executive	2.5–5.0	7.5–10.0	50–55	150–155	1,250	1,099	151	0
Annette Dale-Perera Director of Quality (until 21.06.09)	0.0–2.5	0.0–2.5	10–15	30–35	182	165	17	0
Jonathan Hibbs Director of Communications	0	0	0–5	0	21	0	21	0
Stephen Hodges Director of Corporate Services	–2.5–5.0	–12.5–15.0	30–35	100–105	733	980	–247	0
Rosanna O'Connor Director of Delivery	–0.0–2.5	–0.0–2.5	5–10	20–25	0	191	–191	0

Notes:

All Executive Directors are members of the NHS Pension Scheme. Non-Executive Directors do not receive pensionable remuneration and are not members of the NHS Pension Scheme. No compensation was payable to former senior managers and no amounts were payable to third parties for the services of senior managers.

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 the 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 arrangements 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 purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

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



Paul Hayes
Chief Executive
14 June 2010

ANNUAL ACCOUNTS 2009/10

STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the National Health Service Act 2006 the Secretary of State with the approval of Treasury has directed the National Treatment Agency for Substance Misuse 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 the state of affairs of the National Treatment Agency and of its net resource outturn, recognised gains and losses 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of the National Treatment Agency. 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 the National Treatment Agency's assets, are set out in Managing Public Money published by the Treasury.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NTA's policies, aims and objectives, whilst safeguarding public funds and departmental assets for which I am personally responsible, as set out in Managing Public Money.

There is a comprehensive reporting and accountability system in place both with the sponsor branch at the Department of Health, the Home Office and other key Government Departments as well as Ministerial engagement to manage key risks. Checks and balances are provided by Internal and External Audit and are overseen by the Board's Audit & Risk Committee.

2. 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. The system of internal control is based on an ongoing process designed to; identify and prioritise the risks to the achievement of the organisation's 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 the NTA for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Risk identification and management is reviewed and monitored by the Audit and Risk Committee on behalf of the Board. The formal risk processes were implemented within the agency in 2003/04 and have been regularly reviewed and updated as necessary. The Board approved a revised Risk Management Policy and Strategy at its July 2009 meeting. The risk management approach identifies and registers key risks to the organisation through to the Audit and Risk Committee jointly with Executive Directors. These key risks are then embedded within and monitored through the Corporate Strategy, Business Plans and resultant work plans across the organisation. As part of the risk assessment, ownership of each key risk is identified by the Executive Directors.

Key risks are monitored collectively by the Executive Management Team, with senior managers providing formal reports and presentations on a quarterly basis. Risk reporting to the Board and key stakeholders is embedded within highlight and status reports. Reports are also provided at the regular departmental accountability meetings held with stakeholder Government departments.

The Agency's Strategic and High Risk Register is updated regularly and each year there is a comprehensive refresh of all Directorate Risk Registers. Training for staff in the use of the risk management software was undertaken in 2009/10 and ongoing risk workshops are held for the purpose of identifying and assessing risks. Further training for key staff is ongoing with more training planned for 2010/11. Members of the NTA Board attended a risk management update session provided by NTA Internal Auditors RSM Tenon in December 2009.

4. The risk and control framework

The Audit and Risk Committee has been engaged in developing and overseeing the risk management and assurance framework within the Agency. A nominated Director has responsibility for overseeing these processes. Action plans to address gaps in controls and assurance are identified by the various operational and audit functions within the agency and are monitored by the Committee.

A Risk Management Policy and Strategy is in place and was comprehensively updated in July 2009. The policy sets out the Agency's approach to risk management and monitoring including objectives. The key changes to the policy include improvements in clarity over the NTA risk management structure; refinement of measures of potential risk; clarity on risk scoring and its application in order to better understand the NTA risk tolerances and associated responses. As part of the strategy NTA also included the implementation of a 'risk road map' this identifies the key activities that are completed each year and enables the NTA to monitor them.

RSM Tenon undertook a follow up review of Risk Maturity in September 2009. The review identified that the NTA has implemented systems to record and manage its exposure to risk and had demonstrated good progress in implementing actions agreed to address the previous Risk Maturity internal audit measures arising from the audit undertaken in 2008/09. 93% of the recommendations had been fully implemented and upon testing were being applied in a controlled and consistent manner. Internal Audits assessment of NTA has moved from Risk Defined in 2008/09 to Risk Managed in 2009/10.

Further improvement and embedding is required to progress on the risk maturity spectrum to 'Risk Enabled'. However, the NTA will review this in the coming year to determine whether any further development/progress to 'Risk Enabled' status would add value to the present risk management process already in place.

The NTA has primary stakeholders at both regional level and at national level. Regionally, they include drug action team commissioners, managers of drug treatment services, carers and families of drug misusers, local government partners including government office for the regions, directors of public health, criminal justice agencies (including the police, probation and prison services), strategic health authorities and primary care trusts.

At a national level, NTA stakeholders include the Department of Health, Home Office, Ministry of Justice, Department for Children Schools and Families (now Department of Education), National Offenders Management Service, Department for Work and Pensions, drug treatment service users and carer umbrella groups, royal colleges (e.g. the Royal College of Psychiatrists and the Royal College of General Practitioners), researchers and academics.

The NTA Risk Management Policy and Strategy requires communication to be carried out with internal and external stakeholders on the risk management process. At a national level, the regular accountability meetings with ministers and senior staff from the Department of Health, Home Office and other appropriate Government Departments provide a further examination of the NTA approach to risk management.

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 the Regulations. Considerable amounts of work have been undertaken on this in 2009/10 as a consequence of the 'Pension Choice' proposals to be operated by the NHS Pensions fund from April 2010.

The NTA has in place a range of systems which ensure that information maintained by the NTA is secure. The NTA is in the process of implementing the requirements and recommendations of the Information Governance Assurance Programmes (IGAP) and a recent audit undertaken by the NTA Internal Auditors identified the progress that had been made. Regular returns are provided as part of the monitoring process. As part of overall compliance the NTA has developed an updated and comprehensive Information Risk Policy and this will be submitted to the Board in mid 2010. Although a number of policies are in place covering information governance and security the NTA is currently working towards the development of a number of other policies relating to Information Governance,

these include an IT Support Strategy, Protective Marking scheme and a Physical, Personnel and Information Security Policy. These are also expected to be available during the summer of 2010.

5. 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 and the executive managers within the organisation 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.

The Head of Internal Audit provides me with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Executive managers within the organisation who have responsibility for the development and maintenance of the internal control provide me with assurance. The Assurance Framework itself provides me with evidence of the effectiveness of controls that manage the risks to the organisation ensuring its principal objectives have been reviewed. My review is also informed by comments made by the external auditors in their management letter and other reports. A system is in place to address any weaknesses and ensure continuous improvement.

The Audit and Risk Committee meets regularly and reports to the Board on all aspects of financial control, risk management, internal and external audit and financial reporting. Executive Directors have responsibility for monitoring and managing risk within their respective directorates. They are responsible for ensuring that risks are identified and appropriate action plans are in place to mitigate such risks.

Internal Audit ensures the effective operation of internal audit review and reporting. The NTA Internal Auditors, RMS Tenon undertook nine reviews in 2009/10. Six of these were assurance based reviews with three being advisory. All six assurance based reviews received a positive assurance opinion, with one receiving substantial assurance, two receiving good and three adequate. In addition RSM Tenon undertook a thorough Local Counter Fraud Service Proactive Review on Expense Claims.

The three advisory audits included;

- Human resources
- Communications
- Information Governance

The six assurance audits focussed on;

- Regional Visit – SE Region (Guildford)
- Regional Visit – East of England (Cambridge)
- Regional Visit – North West (Manchester)
- Assurance (Risk Maturity) Framework
- Core Financial Controls
- Follow up of Recommendations

Internal Audit has provided their Audit Annual Report which comments on the agencies overall performance over 2009/10 and the Internal Audit Assurance Statement.

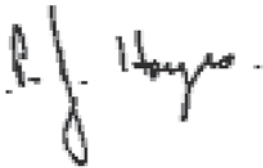
The Head of Internal Audit opinion provided through the Internal Audit Annual Report for the year ending 31 March 2010 is as follows;

“We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the National Treatment Agency.”

For the 12 months ending 31 March 2010 based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of National Treatment Agency's arrangements for governance, risk management and control is as follows;

- *Governance – Amber*
- *Risk Management – Green*
- *Control – Amber*

The Head of Internal Audit commented that all of the recommendations made during the year were accepted by management and concluded there were no recommendations that were not receiving adequate management attention. On the basis of management comments provided, management has taken the time to consider the implications of the findings and associated risks prior to agreeing the implementation of recommendations. As Accounting Officer, I note that the audits undertaken do identify a number of areas where there are some control weaknesses and areas which require attention; these are in the process of being addressed by managers. I welcome the recommendations made and acknowledge the need for some areas of improvement which have been identified. In 2010/11 the Executive Management Team will focus on the recommendations and address any improvements necessary.

A handwritten signature in black ink, appearing to read 'P. Hayes'.

Paul Hayes
Chief Executive
14 June 2010

AUDIT CERTIFICATE

NATIONAL TREATMENT AGENCY FOR SUBSTANCE MISUSE

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 Treatment Agency for Substance Misuse for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Net Expenditure Account 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Treatment Agency for Substance Misuse's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Treatment Agency for Substance Misuse; and the overall presentation of the financial statements.

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 Treatment Agency for Substance Misuse's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and directions issued thereunder by the Secretary of State.

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's directions issued under the National Health Service Act 2006; and
- the information given in the Chief Executive's report, management commentary and the unaudited part of the remuneration report, included 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 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 C E Morse
Comptroller and Auditor General

National Audit Office
151-197 Buckingham Palace Road
Victoria
London SW1W 9SP

23 June 2010

ACCOUNT OF NATIONAL TREATMENT AGENCY 2009/10

Net Expenditure Account for the year ended 31 March 2010

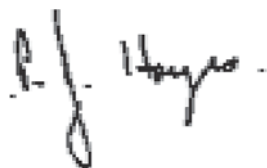
	Notes	2009/10 £000	2008/09 £000
Expenditure			
Staff costs	4	9,805	9,096
Depreciation	5	361	283
Other Expenditures	5	10,569	9,502
		<u>20,735</u>	<u>18,881</u>
Income			
Income from Activities	6	(9,641)	(6,959)
Other Income	6	(178)	(190)
		<u>(9,819)</u>	<u>(7,149)</u>
Net Expenditure		10,916	11,732
Cost of Capital	25	86	23
Net Expenditure after Cost of Capital Charge and Interest		<u>11,002</u>	<u>11,755</u>

The notes on pages 23 to 36 form part of these accounts

Statement of Financial Position as at 31 March 2010

	Note	2008/09 £000	2008/09 £000	2007/08 £000
Non-current assets				
Property, Plant & Equipment	7	609	703	707
Intangible assets	8	112	83	26
Total non-current assets		721	786	733
Current assets				
Trade and Other receivables	12	881	1,289	480
Other current assets	12	286	163	80
Cash and cash equivalents	13	3,827	1,777	1,030
Total current assets		4,994	3,229	1,590
Total assets		5,715	4,015	2,323
Current Liabilities				
Trade and Other payables	14	(632)	(595)	(161)
Other liabilities	14	(4,486)	(3,343)	(2,420)
Total current liabilities		(5,118)	(3,938)	(2,581)
Non-current assets plus/less net current assets/liabilities		597	77	(258)
Assets less liabilities		597	77	(258)
Reserves				
Capital reserve		0	0	0
Revaluation reserve		0	0	11
General reserve		597	77	(269)
		597	77	(258)

The notes on pages 23 to 36 form part of these accounts



Paul Hayes
Chief Executive and Accounting Officer
14 June 2010

Statement of Cash Flows for the year ended 31 March 2010

	Notes	2009/10 £000	2008/09 £000
Cash flows from operating activities			
Net expenditure after cost of capital and interest		(11,002)	(11,755)
Adjustment for cost of capital charge	25	86	(23)
Adjust for non-cash transactions	5	361	283
(Increase)/decrease in trade and other receivables	12	408	(809)
(Increase)/decrease in other receivables	12	(123)	(83)
Increase/(decrease) in trade payables	14	37	170
Increase/(decrease) in other payables	14	1,143	1,402
Less movements in payables relating to items no passing through the Net Expenditure account		0	142
Net cash outflow from operating activities		(9,090)	(10,673)
Capital flows from investing activities			
Purchase of plant, property and equipment	7	(232)	(202)
Purchase of intangible assets	8	(63)	(71)
Net cash inflow from investing activities		(295)	(273)
Cash flows from financing activities			
Grants from parent department		11,435	11,976
Net financing		11,435	11,976
Net increase/(decrease) in cash and cash equivalents		2,050	1,030
Cash and cash equivalents at 31 March 2009	13	1,777	747
Cash and cash equivalents at 31 March 2010	13	3,827	1,777

The notes on pages 23 to 36 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Note	Capital Reserve £000	Revaluation Reserve £000	I&E Reserve £000	Total Reserves £000
Balance at 31 March 2008		0	11	(178)	(167)
Changes in accounting policy		0	0	(91)	(91)
Restated balance at 1 April 2008		<u>0</u>	<u>11</u>	<u>(269)</u>	<u>(258)</u>
Changes in reserves 2008/09					
Release of reserves to the I&E		0	0	91	91
Non-cash charges – cost of capital		0	0	23	23
Retained Surplus/(Deficit)		<u>0</u>	<u>0</u>	<u>(11,755)</u>	<u>(11,755)</u>
Total recognised income and expense for 2008/09		0	0	(11,641)	(11,641)
Grant from Parent		<u>0</u>	<u>(11)</u>	<u>11,987</u>	<u>11,976</u>
Balance at 31 March 2009		<u>0</u>	<u>0</u>	<u>77</u>	<u>77</u>
Changes in taxpayers' equity for 2009/10					
Non-cash charges – cost of capital		0	0	86	86
Retained Surplus/(Deficit)		<u>0</u>	<u>0</u>	<u>(11,002)</u>	<u>(11,002)</u>
Total recognised income and expense for 2009/10		0	0	(10,916)	(10,916)
Grant from Parent		<u>0</u>	<u>0</u>	<u>11,435</u>	<u>11,435</u>
Balance at 31 March 2010		<u>0</u>	<u>0</u>	<u>597</u>	<u>597</u>

The notes on pages 23 to 36 form part of these accounts

Notes to the Accounts

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of the National Treatment Agency for Substance Misuse (Agency), shall meet the accounting requirements of HM Treasury's Financial Reporting Manual (FReM). Consequently, the following 2009/10, financial statements have been prepared in accordance with the 2009/10 FReM. From the current year, the accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by Treasury. Special Health Authorities are not required to provide a reconciliation between current cost and historical cost surplus and deficits.

1.2 Property, Plant & Equipment

(a) Capitalisation

Property, Plant & Equipment which is capable of being used for more than one year and they:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they have 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.

(b) Valuation

Land and buildings used for the Agency's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. Fair values are determined as follows:

Land and non-specialised buildings – market value for existing use
Specialised buildings – depreciated replacement cost

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives

and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Increases arising on revaluation are taken to the Revaluation Reserve except when it reverses a revaluation decrease for the same asset previously recognised in the Operating Cost Statement, in which case it is credited to the Operating Cost Statement to the extent of the decrease previously charged there. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Operating Cost Statement.

1.3 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives, (see below). The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

- Information Technology – network 5 years
- Information Technology – personal computers 3 years
- Furniture and Fittings 10 years

At each Statement of Financial Position date, the Agency checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Operating Cost Statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Operating Cost Statement to the extent to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.4 Intangible Assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-

generated intangible asset can be recognised, the expenditure is charged to the Operating Cost Statement in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposite effects of development costs and technological advances.

1.5 Income

The main source of funding (Grant in aid) for the Agency is Parliamentary Funding allocations from the Department of Health 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.

Revenue is accounted for applying the accruals convention. Operating revenue is revenue which relates directly to the operating activities of the authority. It principally comprises of money from the Home Office in connection with the Drug Intervention Programme (DIP). It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating revenue. Where revenue is received for a specific activity which is to be delivered in the following financial year, that revenue is deferred.

1.6 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Agency as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Agency's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

1.7 Taxation

The Agency 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.

1.8 Capital charges

The treatment of Property, Plant & Equipment in the accounts is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The cost of capital charge rate in the financial year 2009/10 is 3.5% on all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

1.9 Cash and cash equivalents

Cash is cash in hand and deposits (if any) 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.

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 Special Health Authorities not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.11 Clinical Negligence Costs

From 1 April 2000, the NHSLA took over the full financial responsibility for all ELS cases unsettled at that date and from 1 April 2002 all CNST cases. Provisions for these are included in the accounts of the NHSLA. Although the NHSLA is administratively responsible for all cases from 1 April 2000, the legal liability remains with the Special Health Authority. The value of provisions of the Agency carried by the NHSLA is currently Zero.

1.12 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, except for bonuses earned but not yet taken and 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.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. 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 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.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Agency commits itself to the retirement, regardless of the method of payment.

1.13 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. Resulting exchange gains and losses are taken to the Operating Cost Statement.

1.14 Provisions

The Agency 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.

1.15 Financial Instruments

Financial assets

Financial assets are recognised on the Statement of Financial Position when the Agency becomes party to the financial instrument contract or, in the case of trade receivables, 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 profit and loss'; '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.

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 Operating Cost Statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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 Operating Cost Statement 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 the Agency becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised 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 profit and loss' or other financial liabilities.

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.

2. First-time adoption of IFRS

	General Fund £000	Revaluation reserve £000	Donated Asset Reserve £000
Taxpayers' equity at 31 March 2009 under UK GAAP:	282	–	–
Adjustments for:			
Private finance initiative	–	–	–
Leases	–	–	–
Others (specify) – accrued annual leave	–	–	–
Adjustments for:	–	–	–
Impairments recognised on transition	–	–	–
UK GAAP errors	–	–	–
Taxpayers' equity at 1 April 2009 under IFRS:	282	–	–

	General Fund £000	Revaluation reserve £000	Donated Asset Reserve £000
Taxpayers' equity at 1 April 2009 under IFRS:	282	–	–
Adjustments for:			
Leases	–	–	–
Others (specify) – accrued annual leave	(205)	–	–
Adjustments for:			
Impairments recognised on transition	–	–	–
UK GAAP errors	–	–	–
Taxpayers' equity at 31 March 2010 under IFRS:	77	–	–

Net expenditure for 2008/09 under UK GAAP	£000 11,549
Adjustments for:	
Annual leave	205
Net expenditure for 2008/09 under IFRS	11,754

3. Analysis of Net Expenditure by Segment

The Agency has no separately identifiable segments under IFRS 8

4. Staff numbers and related costs

Staff costs comprise:

2008/09
£000

	Permanently employed			Total
	Total	Staff	Others	
Salaries and wages	8,204	7,378	826	7,483
Social security costs	641	641	–	600
Other pension costs	879	879	–	808
Accrued Annual Leave	81	81	–	205
Total	9,805	8,979	826	9,096
Less recoveries in respect of outward secondments	(331)	(331)	–	(271)
Total net costs	9,474	8,648	826	8,825

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

2008/09
Number

	Permanent			Total
	Total	Staff	Others	
Directly employed	195	180	15	184
Other	0	0	0	0
Staff engaged on capital projects	0	0	0	0
Total	195	180	15	184

5. Other Expenditure

2009/10
£000

2008/09
£000

	Note		
Running Costs		1,797	2,657
External Data Contracts		5,199	5,325
Rentals under operating leases		41	–
Research and Development expenditure		–	–
Non-Executive members' remuneration		92	76
Auditors' remuneration – External		37	32
Auditors' remuneration – Internal		60	51
Transport and moveable plant		21	64
Premises and non-current plant		1,127	1,090
Non-cash items			
Depreciation	7	326	269
Amortisation	8	35	14
Profit on disposal of asset		–	–
Loss on disposal of property, plant and equipment		–	77
Cost of capital charge	25	86	23
Provision provided for in year	15	–	–
Unwinding of discount on provisions	15	–	–
Total Non-cash items		447	383
Employee Benefits		22	36
Redundancies		180	–
Research Costs		1,992	–
Miscellaneous		1	94
Total		11,016	9,808

6. Income

	2009/10	2008/09
	£000	£000
Sales of Services	9,641	6,959
Sales of Goods	–	–
Interest	–	–
Royalties	–	–
Dividends	–	–
Other	178	190
Total	9,819	7,149
*Sales of Services	£000	£000
Integrated Drug Treatment System (DH)	2,365	1,664
Harm Reduction (DH)	591	700
Treatment Delivery (DH)	104	0
RIOTT (DH)	1,780	577
NDTMS (DH)	390	0
DIP (Home Office)	2,132	2,131
System Change Pilots	1,751	1,000
Other departmental income (including secondments)	528	887
Total	9,641	6,959

7. Property, Plant and Equipment

	Land	Buildings	Dwellings	Information technology	Plant & machinery	Furniture & fittings	Payments on Account & Assets under Con- struction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2009	–	–	–	1,023	–	153	–	1,176
Additions	–	–	–	195	–	37	–	232
At 31 March 2010	–	–	–	1,218	–	190	–	1,408
Depreciation								
At 1 April 2009	–	–	–	473	–	–	–	473
Charged in year	–	–	–	300	–	26	–	326
Reclassifications	–	–	–	(1)	–	1	–	(0)
At 31 March 2010	–	–	–	772	–	27	–	799
Net book value at 31 March 2009	–	–	–	550	–	153	–	703
Net book value at 31 March 2010	–	–	–	446	–	163	–	609
Asset financing:								
Owned	–	–	–	446	–	163	–	609
Net book value at 31 March 2010	–	–	–	446	–	163	–	609

	Land	Buildings	Dwellings	Information technology	Plant & machinery	Furniture & fittings	Payments on Account & Assets under Con- struction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2008	–	–	–	835	–	174		1,009
Additions	–	–	–	190	–	154		344
Disposals	–	–	–	(2)	–	(175)	–	(177)
At 31 March 2009	–	–	–	1,023	–	153	–	1,176
Depreciation								
At 1 April 2008	–	–	–	222	–	80		302
Charged in year	–	–	–	252	–	17		269
Disposals	–	–	–	(1)	–	(97)	–	(98)
At 31 March 2009	–	–	–	473	–	–	–	473
Net book value at 31 March 2008	–	–	–	613	–	94	–	707
Net book value at 31 March 2009	–	–	–	550	–	153	–	703
Asset financing:								
Owned	–	–	–	550	–	153	–	703
Net book value at 31 March 2009	–	–	–	550	–	153	–	703

8. Intangible assets

	Software purchased	Licences and trademarks	Develop- ment Expenditure	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2009	67	15	55	137
Additions	40	23	0	63
At 31 March 2010	107	38	55	200
Amortisation				
At 1 April 2009	49	1	4	54
Charged in year	18	5	11	34
At 31 March 2010	67	6	15	88
Net book value at 31 March 2010	40	32	40	112
Net book value at 31 March 2009	18	14	51	83

	Software purchased £000	Licences and trademarks £000	Develop- ment Expenditure £000	Total £000
Cost or valuation				
At 1 April 2008	66	0	0	66
Additions	1	15	55	71
At 31 March 2009	67	15	55	137
Amortisation				
At 1 April 2008	40	0	0	40
Charged in year	9	1	4	14
At 31 March 2009	49	1	4	54
Net book value at 31 March 2009	18	14	51	83
Net book value at 31 March 2008	26	–	–	26

9. Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Agency are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market list.

Currency risk

The Agency is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Agency has no overseas operations. The Agency therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Agency is not permitted to borrow and therefore has low exposure to interest rate fluctuations.

Credit Risk

Because the majority of the Agency's income comes from funds voted by Parliament the Agency has low exposure to credit risk.

Liquidity Risk

The Agency is required to operate within limits set by the Secretary of State for the financial year and draws down funds from the Department of Health as the requirement arises. The Agency is not, therefore, exposed to significant liquidity risks.

10. Impairments

The Agency had no impairments to assets to report this financial year

11. Inventories

The Agency had no inventory to report this financial year

12. Trade receivables and other current assets

	2009/10 £000	2008/09 £000	2007/08 £000
Amounts falling due within one year			
Trade receivables	861	1,200	213
Deposits and advances	–	–	–
Other receivables	20	89	267
Prepayments and accrued income	286	163	80
Current part of PFI prepayment	–	–	–
Current part of NLF loan	–	–	–
	<u>1,167</u>	<u>1,452</u>	<u>560</u>
	2009/10 £000	2008/09 £000	2008/09 £000
Amounts falling due after more than one year			
Trade receivables	–	–	–
Deposits and advances	–	–	–
Other receivables	–	–	–
Prepayments and accrued income	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

13. Cash and Cash equivalents

	2009/10 £000	2008/09 £000	2007/08 £000
Balance at 1 April 2009	1,777	1,030	–
Net change in cash and cash equivalent balances	2,050	747	1,030
Balance at 31 March 2010	<u>3,827</u>	<u>1,777</u>	<u>1,030</u>
The following balances at 31 March were held at:			
Office of HM paymaster general	3,827	1,776	1,029
Commercial banks and cash in hand	–	1	1
Short term investments	–	–	–
Balance at 31 March 2010	<u>3,827</u>	<u>1,777</u>	<u>1,030</u>

14. Trade payables and other current liabilities

	2009/10 £000	2008/09 £000	2007/08 £000
Amounts falling due within one year			
VAT	–	–	–
Tax and social security	(12)	(306)	(1)
NHS payables (revenue)	(473)	(168)	(73)
NHS payables (capital)	–	–	–
Non-NHS payables (revenue)	(159)	(163)	(88)
Non-NHS payables (capital)	–	–	–
Other payables	0	(264)	(34)
Accruals and deferred income	(4,474)	(3,037)	(2,385)
Current part of finance leases	–	–	–
Current part of imputed finance lease element of on balance sheet PFI contracts	–	–	–
Current part of NLF loans	–	–	–
	<u>(5,118)</u>	<u>(3,938)</u>	<u>(2,581)</u>

Amounts falling due after more than one year	–	–	–
Other payables, accruals and deferred income	–	–	–
Finance leases	–	–	–
Imputed finance lease element of on balance sheet			
PFI contracts	–	–	–
NLF loans	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>

15. Provisions for liabilities and charges

The Agency had no provisions to report this financial year.

16. Capital commitments

The Agency has nothing to declare under this heading.

17. Commitments under leases

17.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Agency as lessee

	2009/10	2008/09
	£000	£000
Payments recognised as an expense		
Minimum lease payments	751	715
Contingent rents	–	–
Sub-lease payments	–	–
Total	<u>751</u>	<u>715</u>
Total future minimum lease payments		
Payable:		
Within 2010	751	752
Between 2011 and 2015	21	1,665
Between 2016 and 2020	–	–
Thereafter	–	–
Total	<u>772</u>	<u>2,417</u>

18. Commitments under PFI contracts

The Agency has nothing to declare under this heading

19. Other financial commitments

The Agency has nothing to declare under this heading

20. Contingent liabilities disclosed under IAS 37

The Agency has nothing to declare under this heading

21. Events after the reporting period

The Agency has no material events to report

22. Related Party Transactions

The National Treatment Agency is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party.

The NTA transacts with the Department of Health for parliamentary funding in order to discharge its duties.

The NTA has its financial services provided by NHS Agencyred Business Services according to the contract.

In addition, the NTA has had a number of material transactions with other entities for which the Department is regarded as the parent Department, i.e:

	Value £
Barnet Enfield and Haringey Mental Health NHS Trust	21,114
Berkshire Healthcare NHS Foundation Trust	11,051
Birmingham and Solihull Mental Health NHS Trust	6,117
Birmingham Womens Healthcare NHS Foundation Trust	294,612
Bradford and Airedale Teaching PCT	149,230
Cambridgeshire PCT	255,040
Camden and Islington NHS Foundation Trust	19,105
Central & North West London NHS Foundation Trust	6,318
Department Of Health	472,742
Dudley PCT	21,297
Greater Manchester West Mental Health NHS Foundation Trust	9,794
Hampshire Partnership NHS Foundation Trust	58,385
Herefordshire PCT	1,773
Lambeth PCT	56,751
Leeds PCT	33,148
Liverpool PCT	91,406
London Ambulance Service NHS Trust	8,000
Milton Keynes PCT	440,344
NHS Litigation Authority	12,014
NHS Pensions Agency	80,980
North East Ambulance Services NHS Trust	2,800
North Essex Partnership NHS Foundation Trust	121
North Tyneside PCT	5,830
Northumberland Tyne and Wear NHS Trust	9,708
Nottingham City PCT	7,425
Nottinghamshire Healthcare NHS Trust	2,760
Plymouth PCT	1,329
Sefton PCT	297,416
Somerset PCT	5,102
South London and Maudsley NHS Foundation Trust	2,306,538
South Tyneside PCT	338
South West Strategic Health Authority	7,882
Southampton University Hospitals NHS Trust	294,483
Surrey & Borders Partnership NHS Foundation Trust	36,353
Wakefield District PCT	229
Walsall PCT	400
Wandsworth PCT	63,370

In addition, and for the purpose of these accounts, the Home Office is also treated as a related party. During 2009/10, the NTA received £2,131,880 of income from the Home Office towards the Drugs Intervention Programme (DIP).

23. Third-party assets

The Agency has nothing to declare under this heading

24. IFRSs, amendments and interpretations in issue but not yet effective, or adopted

IAS8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted early by the NTA:

IFRS9 financial instruments

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2013.

IAS7 statements of cash flow

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

IAS17 leases

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

IAS24 related party disclosures

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2011.

IAS 36 impairment of assets

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 January 2010.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have a future material impact on the financial statements of the NTA.

In addition, the following are changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2010:

Chapter 8 impairments

Adaption of IAS 36 impairment of assets

Chapter 11 income and expenditure

Removal of cost of capital charging

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the NTA.

25. Cost of Capital charge

Accounting period	Current period	Prior period
	2009/10	2008/09
	£000	£000
Net assets on SoFP	597	77
less donated asset reserve		
less government grant reserve		
less assets under construction		
less cash balances in Paymaster accounts	(3,827)	(1,777)
Relevant net assets	(4,930)	(2,988)
Average net assets	(2,465)	(1,494)
Capital charge @ 3.5%	(86)	(52)
2008/09 figure used before IFRS	0	(23)



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