

Presented pursuant to Schedule 2, Section 19, paragraph 11(4) of the Health Act 1999

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# Commission for Health Improvement Account 2003-2004

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## Foreword to the Annual Accounts

### Background information

The Commission for Health Improvement (CHI) was established on 1 November 1999 under Statutory Instrument 1999/2801. The statutory functions conferred on CHI set out in Section 20 of the Health Act 1999 and the Commission for Health Improvement (Functions) Regulations 1999/2000. CHI was a Non-Departmental Public Body sponsored by the Department of Health.

Under the Health and Social Care (Community Health and Standards) Act 2003 (the 2003 Act) the Commission for Healthcare Audit and Inspection (the Healthcare Commission) was established from 1 April 2004. Under the terms of the 2003 Act, the Healthcare Commission assumed responsibility for the functions previously exercised by CHI and all of the assets and liabilities of CHI were transferred to the new organisation. These are the final accounts for CHI, covering the year ended 31 March 2004. The Healthcare Commission consider it appropriate to prepare these accounts on a going concern basis because all CHI's functions have been transferred to the Healthcare Commission.

CHI's statutory functions were to

- provide national leadership to develop and disseminate clinical governance issues;
- independently scrutinise local clinical governance arrangements to support, promote and deliver high quality services, by conducting a rolling programme of reviews of clinical governance arrangements, visiting each NHS Trust, Primary Care Trust, and Health Authority in England and Wales approximately once every three to four years;
- review and monitor local and national guidelines in the form of the National Service Frameworks (NSFs), and National Institute of Clinical Excellence, (NICE) guidance; and
- help the NHS identify and tackle serious service failures, for which the Commission had the capacity for rapid investigation and intervention to help put these right.

### Form of accounts

The accounts have been prepared in the form determined by the Secretary of State, in accordance with the Health and Social Care (Community Health and Standards) Act 2003. They have been prepared by the Healthcare Commission in discharge of its responsibilities under Statutory Instrument 2005 No. 631 'The Health and Social Care (Community Health and Standards) Act 2003 (Commission for Healthcare Audit and Inspection) (Transitional Provisions) Order 2005'. This Statutory Instrument came into force on 31 March 2005.

### Financial results

The financial accounts cover the period 1 April 2003 to 31 March 2004, and are CHI's fifth and final annual set of accounts.

CHI's financial performance for the period is identified within the Income and Expenditure Account. CHI's total income for the year was £37.7m, of which Grant-in-Aid represented £35.6m. Expenditure for the year totalled £37.4m on operational activities. The retained surplus for the year was £346,000.

### Fixed assets

A number of fixed assets have been purchased during the period. These assets include refurbishment costs, office equipment and information technology infrastructure. In total, CHI incurred expenditure of £91,000 on fixed assets during the year.

### Research and development

There was no expenditure on Research and Development during the year.

### Charitable payments

No charitable donations were made during the year.

### Implementation of the Euro

CHI has identified the potential impact of the United Kingdom changing currency to the Euro. The relevant key systems have been identified and an action plan drawn up.

### Auditor appointment

The Comptroller and Auditor General continued as the appointed auditor of CHI. The audit fee for the year was £55,000. The Comptroller and Auditor General conducted no non-audit work.

### Equal opportunities

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

### Payment of creditors

CHI's policy is to pay creditors in accordance with contractual conditions, or where no contractual conditions exist within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. This complies with the Better Payment Practice Code.

In 2003-2004, CHI paid 95% of invoices based on volume within 30 days, and 96% of invoices based on value within 30 days.

## Commission members

	<b>Date appointed</b>
Dame Deirdre Hine (Chairman)+	1 November 1999
Prof Ian Cameron	1 December 1999
Dr Sam Everington	1 December 1999
Mr Anthony Hewson	1 November 1999
Ms Ann James*	1 November 1999
Prof Julian LeGrand	1 December 1999
Ms Melinda Letts*	1 December 1999
Mr Stephen Moss*+	1 December 1999
Mr Nick Partridge*	1 November 1999
Mr Museji Takolia*+	1 November 1999
Mr Bruce Keogh+	1 February 2002
Prof Jennie Popay+	1 February 2002
Ms Linda Pepper+	16 November 2002

\* Denotes member of the Audit Committee

+ Denotes member of the Remuneration Committee

All appointments terminated on 31 March 2004.

## Register of interests

CHI maintains a Register of Interests for Commission Members and Directors. Where any committee decisions are taken which could give rise to a possible conflict of interests, the chair of the meeting ensures at the outset that disclosure is made and the Committee Member withdraws for the duration of any discussion of the relevant item. The Register is available for public inspection on the CHI website.

## Staff consultation

Staff were consulted on a regular basis during the year through discussion groups, and informally as appropriate to their areas of interest. Formal consultations took place between management and staff representatives through the staff forum which met throughout the year.

## Healthcare Commission launch on 1 April 2004

The Healthcare Commission commenced activity on 1 April 2004 when the assets and liabilities of CHI, the private and voluntary healthcare parts of the National Care Standards Council and the national health value for money work carried out by the Audit Commission were transferred to the Healthcare Commission under transfer order. Accordingly the functions of CHI will continue in 2004-2005, but under the auspices of the Healthcare Commission. The Healthcare Commission therefore consider it appropriate to prepare these accounts on a going concern basis.

Signed by

*Anna Walker*  
Accounting Officer

11 May 2005

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

CHI no longer exists. Under the Health and Social Care (Community Health and Standards) Act 2003, the Healthcare Commission must prepare the annual accounts of CHI in respect of the year beginning on 1 April 2003 and ending on 31 March 2004 in such form as the Secretary of State may determine. The accounts are prepared on an accruals basis, and must show a true and fair view of CHI's state of affairs at 31 March 2004, and of its surplus, total recognised gains and losses and cashflows for the year to 31 March 2004.

In preparing the accounts, the Healthcare Commission is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that CHI will continue in operation.

The Accounting Officer for the Department of Health has designated the Chief Executive as the Accounting Officer. The Chief Executive's responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.

*Anna Walker*  
Accounting Officer

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer for the Healthcare Commission, I have responsibility for considering the system of internal control that supported the achievement of CHI's policies, aims and objectives whilst safeguarding the public funds and departmental assets for which the CHI chief executive was personally responsible to 31 March 2004, in accordance with the responsibilities assigned in Government Accounting.

### 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 CHI policies, aims and objectives; and
- 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 was in place in CHI for the year to 31 March 2004 and accords with Treasury guidance.

### Capacity to handle risk

CHI managed risk during the period to 31 March 2004 by drawing on the skills and expertise of its Audit Committee, Directors and the work of its Internal Auditors.

### The risk and control framework

CHI has an internal audit service provided by South Coast Audit, which operates in compliance with Government Internal Audit standards. They submit regular reports, which include their independent opinion on the adequacy and effectiveness of CHI's system of internal control, together with recommendations for improvement.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the CHI system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors by comments made by the external auditors and the work of the Audit Committee. I also place reliance on the executive managers within the organisation, who had responsibility for the development and maintenance of the system of internal control and the Assurance Framework.

CHI's internal auditors expressed an opinion in February 2004 based on work undertaken to that date. Their overall opinion was that internal controls reviewed as part of their planned work and subject to the limitations shown in this statement are fundamentally sound.



In reaching this opinion, they had considered all of the work undertaken during the year and confirmed that there were no significant breakdowns in internal control; the following factors were taken into particular consideration

- in previous years, weaknesses both in terms of existence and compliance had been identified relating to a number of key payroll controls. Whilst work in 2002-2003 confirmed that the changes instigated by management had resulted in an improvement in the system of internal control, this was not operational for the whole year. The review during 2003-2004 confirmed that the improvements in control had been maintained;
- CHI had continued to build on the previous good progress in embedding risk management procedures within the organisation during 2003-2004. There was an operational Risk Register, which was updated a number of times during the year and was supported by an effective management and committee structure. With the particular risks faced by the organisation in its last year of operation, a number of Transition Teams were set up to concentrate on specific corporate objectives and the risks faced by CHI in the achievement of those objectives in order to further enhance the arrangements in place during 2002-2003; and
- their risk-based work on the transfer of assets to the Healthcare Commission, which was completed in November 2003, identified that the expected progress relating to the physical verification of assets and the subsequent reconciliation to the asset register had not been fully achieved. Further management action was agreed to ensure that complete and accurate records were available for the transfer.

The Audit Committee has advised me on the implications of the result of my review of the effectiveness of the system of internal control. Where the activities have continued within the Healthcare Commission, a plan to address these weaknesses and ensure continuous improvement of the system is in place.

Signed by

*Anna Walker*  
Accounting Officer

11 May 2005

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 10 to 23 under the Health and Social Care (Community Health and Standards) Act 2003. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 to 15.

## Respective responsibilities of the Commission for Healthcare Audit and Inspection, the Chief Executive and Auditor

As described on page 5, the Commission for Healthcare Audit and Inspection and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. The Commission for Healthcare Audit and Inspection and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made thereunder by the Secretary of State, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission for Health Improvement has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 6 and 7 reflects the Commission for Health Improvement's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission for Health Improvement's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

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

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

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Commission for Health Improvement at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements

*John Bourn*  
Comptroller and Auditor General

20 May 2005

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## Income and Expenditure account for the year to 31 March 2004

	Notes	Year to 31 March 2004		Year to 31 March 2003	
		£000	£000	£000	£000
<b>Gross income</b>					
Grant in aid	2		<b>35,611</b>		27,211
Sundry income	3		<b>1,346</b>		830
Transfers from deferred Government grant account	10		<b>739</b>		803
			<b>37,696</b>		28,844
<b>Expenditure</b>					
Staff costs	4a	<b>20,980</b>		16,251	
Other operating costs	5	<b>15,680</b>		11,477	
Depreciation	6a	<b>708</b>	<b>37,368</b>	781	28,509
<b>Operating surplus for the year</b>			<b>328</b>		335
Notional capital charges	1e		<b>(126)</b>		(241)
<b>Surplus/(deficit) on ordinary activities</b>			<b>202</b>		94
Write back of capital charges	1e		<b>126</b>		241
Transfer from reserves	6b		<b>18</b>		13
<b>Retained surplus for the financial year</b>			<b>346</b>		348
Retained surplus brought forward			<b>751</b>		403
<b>Retained surplus carried forward for the financial year</b>			<b>1,097</b>		751

There were no recognised gains or losses during the financial year ended 31 March 2004.

*The notes on pages 13 to 23 form part of these accounts.*

## Balance Sheet as at 31 March 2004

	Notes	31 March 2004		31 March 2003	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	6a		<b>3,416</b>		3,956
Intangible assets	6a		<b>149</b>		257
Donated assets	6a		<b>14</b>		32
			<u><b>3,579</b></u>		<u>4,245</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	7	<b>958</b>		1,048	
Prepayments		<b>63</b>		999	
Cash at bank and in hand	14	<b>2,209</b>		277	
			<u><b>3,230</b></u>	<u>2,324</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	8	<b>(2,045)</b>		(1,223)	
<b>Net current assets</b>			<u><b>1,185</b></u>		<u>1,101</u>
<b>Total assets less current liabilities</b>			<u><b>4,764</b></u>		<u>5,346</u>
<b>Creditors: amounts falling due after more than one year</b>	8		<u><b>(88)</b></u>		<u>(350)</u>
<b>Total net assets</b>			<u><b>4,676</b></u>		<u>4,996</u>
<b>Financed by</b>					
Income and expenditure account		<b>1,097</b>		751	
Donated asset reserve	6b	<b>14</b>		32	
Deferred Government grant	10	<b>3,565</b>		4,213	
			<u><b>4,676</b></u>		<u>4,996</u>

The notes on pages 13 to 23 form part of these accounts.

Signed by

Anna Walker  
Accounting Officer

11 May 2005

## Cash Flow Statement for the year ended 31 March 2004

		<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	13	<b>1,932</b>	(823)
<b>Capital expenditure and financial investments</b>			
Payments to acquire fixed assets		<u>(91)</u>	<u>(1,008)</u>
<b>Net cash outflow before financing</b>		<b>1,841</b>	(1,831)
<b>Financing</b>			
Department of Health capital funding		<b>91</b>	1,289
Receipt for disposal of assets		<b>0</b>	10
<b>Increase/(decrease) in cash</b>		<u><b>1,932</b></u>	<u>(532)</u>

*The notes on pages 13 to 23 form part of these accounts.*

# Notes to the Financial Statements

## 1 Accounting policies

### a Accounting convention

The Financial Accounts cover the period 1 April 2003 to 31 March 2004, and are CHI's fifth and final set of accounts. The accounts have been prepared on a going concern basis. The Healthcare Commission consider the going concern basis to be appropriate despite CHI's abolition because all CHI's functions have been transferred to the Healthcare Commission. All balances will transfer to the Healthcare Commission accounts on 1 April 2004.

The financial statements have been prepared in accordance with applicable accounting standards and under the modified historic cost convention, in accordance with CHI's Financial Memorandum.

### b Fixed assets

Fixed assets have been capitalised in the Balance Sheet at their modified historic cost less depreciation. Assets have been re-valued in 2003-2004 using the Office of National Statistics (ONS) current price index.

Fixed assets other than computer software are capitalised as a tangible asset as follows

- equipment with an individual value of £5,000 or more;
- grouped assets which are interdependent with a total value of £5,000 or more, and a minimum expected life as set out in paragraph c(i) below; and
- building and refurbishment costs valued at £5,000 or more.

Purchased computer software is capitalised as an intangible asset where expenditure of £5,000 or more is incurred. Project Management costs have not been capitalised.

### c i Depreciation

Depreciation has been provided on all fixed assets held at year-end on a straight-line basis, at rates calculated to write off the cost, less any residual value, over their estimated useful lives as follows

Office refurbishment	15 years
Office furniture	10 years
Office equipment	5 years
Computer equipment	4 years
Computer software	4 years

Depreciation is charged from the month in which the asset is acquired.

### ii Indexation

Indexation has been applied quarterly to building assets and monthly for all other assets. Indices are taken from the ONS publication "Price index numbers for current cost accounting".

*d Pension 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 Secretary of State, in England and Wales. As a consequence it is not possible for CHI to identify its share of the underlying scheme liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2003-2004 was £705,000 (£599,000 for 2002-2003). Employees pay contributions of 6% of their pensionable pay.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. These contributions will need to be reviewed at the next investigation date, due at 31 March 2004.

The Scheme is subject to a full valuation every four years (previously every five years). The most recent valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationery Office.

CHI charges employers' pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation contribution rates from 2003-2004 were set at 14% of pensionable pay (2002-2003: 7%). Until 2002-2003 HM Treasury paid the Retail Price Indexation costs of the National Health Service Pension direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-2004 the additional funding has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%.

*e Notional costs*

A notional cost of capital has been calculated in accordance with HM Treasury requirements at a rate of 3.5% (6% in 2002-2003) on the average value of capital employed. The cost in 2003-2004 was £126,000 (£241,000 in 2002-2003).

*f Value added tax*

CHI is not registered for Value Added Tax. All expenditure reported in these statements therefore includes VAT where this was charged.

*g Income*

The gross income is made up of Grant-in-Aid received from the Department of Health and the Welsh Assembly Government to fund both the operating costs and capital costs of the Commission.

In 2003-2004, CHI took over a Service Level Agreement with the NHS Information Authority from July 2003. The Department of Health continued to pay the NHS Information Authority directly, but since the expenditure relates to CHI, the expenditure is shown in these accounts with an equivalent amount of notional grant-in-aid recognised.

Grant-in-Aid relating to the purchase of capital assets is shown in the Balance Sheet as the Government Grant Reserve. A proportion is transferred annually to the Income and Expenditure statement to offset depreciation charged on those assets.



*h Leases*

Rentals Payable under operating leases are charged to the income and expenditure account on a straight-line basis.

**2 Government grant**

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
Department of Health Resource account	<b>32,055</b>	26,836
Welsh Assembly	<b>1,770</b>	1,664
Notional grant-in-aid *	<b>1,877</b>	0
<b>Total grant-in-aid</b>	<b>35,702</b>	28,500
Capital Grant-in-Aid (transfer to Government grant reserve)	<b>(91)</b>	(1,289)
<b>Gross income reported in Income and Expenditure account</b>	<b>35,611</b>	27,211

\* Funding for the Service Level Agreement with the NHS Information Authority (NHSIA) which was paid directly by the Department of Health to the NHSIA.

**3 Sundry income**

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
Department of Health*	<b>367</b>	827
Recharge of staff and other costs related to other bodies	<b>978</b>	0
Other – speakers fees etc	<b>1</b>	3
<b>Total</b>	<b>1,346</b>	830

\* For the administration of Clinical Audit contracts, NHS Patient & Staff Survey contracts and the development of the Office of Information on Healthcare Performance on NHS performance indicators and ratings.

#### 4 Employee information

##### a Staff costs

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
<b>Staff costs include</b>		
Salaries and wages – CHI	<b>11,359</b>	10,442
Staff cost recharged	<b>857</b>	0
Seconded staff costs	<b>3,681</b>	2,745
Employers National Insurance*	<b>1,313</b>	965
Employers superannuation*	<b>705</b>	599
Agency staff	<b>568</b>	615
External consultants	<b>0</b>	84
Lay Reviewers and Other Staff	<b>987</b>	801
Other **	<b>1,510</b>	0
<b>Total</b>	<b>20,980</b>	16,251

\* The employer's national insurance and superannuation costs relate to directly employed staff only and any lay reviewers included on the CHI payroll. Figures are not available for seconded staff paid through their 'parent' employer's payroll.

\*\* Other Staff costs £1,510,000. Included in the above are amounts for Capitalised Pensions on Early Retirement (£1,394,000), Redundancy Pay (£82,000), and Payments in Lieu of Notice (£34,000), that were incurred as a consequence of the transfer of the functions of CHI to the Healthcare Commission on 1 April 2004. All Directors in receipt of any of these payments withheld their consent for the individual amounts they received to be disclosed. The amounts paid to individual Directors are therefore excluded from the disclosures in note 4(g), although they are included within the total of £1,510,000.

##### b Average number of employees during year

The average number of whole time equivalent employees, including secondees and agency staff, for the year ended 31 March 2004, by category of employment was

	<b>Year to 31 March 2004 WTE</b>	Year to 31 March 2003 WTE
Managerial	<b>9</b>	9
Support staff	<b>367</b>	318
<b>Total</b>	<b>376</b>	327

##### c Pension benefits

The NHS Pensions Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last three years' pensionable pay for each year of service. A lump sum normally equivalent to three years' pension is payable on retirement. 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 twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice the final year's pensionable pay for death in service, and up to five times their annual pension for death after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVC's), provided by an approved panel of life companies. Under the arrangement, the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time CHI commits itself to the retirement, regardless of the method of payment.

This note also discloses the number and additional pension costs for individuals who retired early on ill health grounds during the year. There was one retirement at an additional cost of £290,000.

*d The Chief Executives' remuneration*

	Age at 31 March 2004	Remuneration for year ended 31 March 2004 £	Real increase in pension at 60 £	Total accrued pension at 31 March 2004 £
Dr Peter Homa	47	116,109	1,563	43,262
Jocelyn Cornwell*	Consent to disclosure withheld			

Dr Peter Homa resigned as Chief Executive on 30 November 2003. His salary for the period ended 30 November 2003 was £110,232 (£150,000 for the year ended 31 March 2003). The difference between his total remuneration and salary for the period is due to subsistence and travel expenses (£5,877). Dr Homa was on secondment from 15 September 2003.

Dr Peter Homa is a member of the NHS Pension Scheme, and the CHI contribution to the scheme was £7,657 for the period ended 30 November 2003 (£10,418 for the year ended 31 March 2003).

\* Jocelyn Cornwell, was appointed on 15 September 2003. The appointment terminated on 31 March 2004.

*e Chairman's remuneration*

The Chairman Dame Deirdre Hine's salary for the year ended 31 March 2004 was £29,648 (£29,648 for the year ended 31 March 2003). The Chairman's remuneration is not superannuable. The appointment terminated on 31 March 2004.

## f Commissioners' remuneration

	<b>Year to 31 March 2004 £</b>	Year to 31 March 2003 £
Dr Sam Everington*	<b>5,380</b>	5,330
Prof Sir Martin Harris (2002 - 2003 only)	<b>0</b>	3,330
Prof Ian Cameron	<b>5,294</b>	5,294
Mr Anthony Hewson	<b>5,294</b>	5,294
Ms Ann James	<b>5,294</b>	5,294
Prof Julian LeGrand	<b>5,294</b>	5,294
Ms Melinda Letts	<b>5,294</b>	5,294
Mr Stephen Moss	<b>5,294</b>	5,294
Mr Nick Partridge	<b>5,294</b>	5,294
Mr Museji Takolia	<b>5,294</b>	5,294
Mr Bruce Keogh	<b>5,294</b>	5,294
Prof Jennie Popay	<b>5,294</b>	5,294
Dr Charles Vincent (2002-2003 only)	<b>0</b>	4,853
Ms Linda Pepper	<b>5,294</b>	2,144

\* Remuneration for Dr Sam Everington was paid directly to XX Place (his employer).

Commissioners' remuneration is not superannuable.

Appointments terminated on 31 March 2004.

## g Other directors

Treasury guidance (DAO3/00) requires CHI to provide information on the salary and pension rights of named "most senior managers" of the Commission. The salary and pension rights for the following Directors of the Commission were

	Age at 31 March 2004	Remuneration for year ended 31 March 2004 £	Real increase in pension at 60* £	Total accrued pension at 31 March 2004 £
Jocelyn Cornwell*				
Elizabeth Fradd	54	117,386	Consent to disclosure withheld	
Matt Tee	40	102,603	1,233	10,167
Steve Graham	58	121,185	Not in scheme	
Harry Hayer ** retired August 2003	38	22,920	9,289	23,712
Nick Jones <i>Acting Director</i>	40	93,968	1,324	2,038
Gwyn Bevan resigned December 2003	57	63,258	1,183	38,564
Dr Linda Patterson ***	52	128,983	Not available	
Mervyn Fermer**** <i>Joint Director</i>	53	52,974	Consent to disclosure withheld	
Steve Hopkins**** <i>Joint Director</i>	54	73,099	Consent to disclosure withheld	

The real increase in pension at age 60 reflects the increase in pension earned in the year.

- \* Jocelyn Cornwell resigned on 14 September 2003 to become Chief Executive.
- \*\* Harry Hayer's total accrued pension includes enhancement in respect of early retirement on the grounds of ill health.
- \*\*\* Dr Linda Patterson is seconded to CHI for four days a week from Burnley Healthcare NHS Trust.
- \*\*\*\* Mervyn Fermer and Steve Hopkins were employed on a job share basis.

Remuneration includes gross salary and any other allowance to the extent that it is subject to UK taxation. Directors in receipt of redundancy payments or payments in lieu of notice withheld their consent to disclosure of these amounts therefore they are excluded from the remuneration figure stated.

## 5 Other operating costs

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
<b>Other operating costs include</b>		
Operating leases*	<b>1,469</b>	1,443
Other premises costs	<b>1,141</b>	1,210
Consultancy**	<b>7,366</b>	2,814
Recruitment and staff search	<b>100</b>	466
Travel and subsistence	<b>1,688</b>	2,122
Training and development costs	<b>465</b>	1,027
Commission promotional	<b>957</b>	619
Office supplies	<b>1,065</b>	928
External audit fees***	<b>55</b>	55
Impairment of fixed assets	<b>0</b>	34
Loss on disposal of fixed asset	<b>7</b>	0
Losses and special payments	<b>9</b>	26
Other costs	<b>1,358</b>	733
<b>Total other operating costs</b>	<b>15,680</b>	11,477

- \* Amounts payable under an operating lease for land and buildings.
- \*\* Consultancy costs includes £2,035,000 for analytical support contracts (£1,692,000 in 2002-2003), and £2,062,000 for CGR Survey.
- \*\*\* The Audit Fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work. No such work was undertaken.

**6 Fixed assets***a Analysis of fixed asset values*

	Office refurbishment £000	Office furniture £000	Office equipment £000	Computer equipment £000	Computer software £000	Donated assets £000	<b>Total £000</b>
<b>Cost or valuation</b>							
Balance at 1 April 2003	3,401	655	510	1,344	464	99	<b>6,473</b>
Additions during the year	33	18	1	39	0	0	<b>91</b>
Disposals during the year	0	0	(2)	(19)	(21)	0	<b>(42)</b>
Indexation applied	0	(3)	(3)	(45)	(20)	(7)	<b>(78)</b>
<b>Balance at 31 March 2004</b>	<b>3,434</b>	<b>670</b>	<b>506</b>	<b>1,319</b>	<b>423</b>	<b>92</b>	<b>6,444</b>
<b>Depreciation</b>							
Balance at 1 April 2003	674	188	246	845	207	67	<b>2,227</b>
Depreciation charged to I&E during the year	209	72	100	220	96	11	<b>708</b>
Disposals during the year	0	0	(2)	(13)	(19)	0	<b>(34)</b>
Indexation applied	2	(1)	(2)	(25)	(10)	0	<b>(36)</b>
<b>Balance at 31 March 2004</b>	<b>885</b>	<b>259</b>	<b>342</b>	<b>1,027</b>	<b>274</b>	<b>78</b>	<b>2,865</b>
<b>Net book value</b>							
Net book value at 31 March 2003	2,727	467	263	499	257	32	<b>4,245</b>
<b>Net book value at 31 March 2004</b>	<b>2,549</b>	<b>411</b>	<b>164</b>	<b>292</b>	<b>149</b>	<b>14</b>	<b>3,579</b>

*b Donated assets reserve*

This represents the net current value of assets donated to the Commission. During 2000-2001 the Bristol Royal Infirmary Inquiry donated assets to the Commission.

	<b>As at 31 March 2004 £000</b>	As at 31 March 2003 £000
Donation reserve opening balance	<b>32</b>	45
Transfer to I&E in respect of donated assets depreciation	<b>(11)</b>	(13)
Indexation applied	<b>(7)</b>	0
<b>Donated assets reserve closing balance</b>	<b>14</b>	32

**7 Debtors: amounts falling due within one year**

	<b>As at 31 March 2004 £000</b>	As at 31 March 2003 £000
Staff loans*	<b>74</b>	85
Inter-company Healthcare Commission	<b>120</b>	0
Other debtors	<b>764</b>	825
Accrued income	<b>0</b>	138
<b>Total debtors</b>	<b>958</b>	1,048

\* Loans to staff are for season tickets, bicycle purchase and gym membership. No member of staff received loans in excess of £5,000.

**8 Creditors**

	<b>As at 31 March 2004 £000</b>	As at 31 March 2003 £000
<b>Amounts falling due within one year</b>		
Creditors	<b>488</b>	376
Taxation and social security accruals	<b>13</b>	20
Other accruals	<b>1,544</b>	827
<b>Total creditors</b>	<b>2,045</b>	1,223
<b>Amounts falling due after more than one year</b>		
Operating lease	<b>88</b>	350
<b>Total creditors</b>	<b>88</b>	350

**9 Operating lease commitments**

Operating lease payments payable within one year of the Balance Sheet date in respect of Land and Buildings leases expiring over five years	<b>1,747</b>	1,735
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Operating leases payable for Finsbury Tower were transferred to the Healthcare Commission on and effective from 1 April 2004

**10 Government grant reserve**

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
Balance at start of period	<b>4,213</b>	3,743
Transfer capital grant to Government grant reserve	<b>91</b>	1,049
Indexation of fixed assets	<b>(35)</b>	(17)
Downward valuation of IT equipment, software and refurbishment charged to the I&E Account	<b>0</b>	(34)
Depreciation charged to the I&E Account	<b>(697)</b>	(770)
Capital funded through revenue in 2001-2002	<b>0</b>	240
Loss on disposals charged to I&E account	<b>(7)</b>	2
<b>Balance at end of period</b>	<b><u>3,565</u></b>	<b><u>4,213</u></b>

**11 Capital commitments**

CHI has no outstanding capital commitments as at the Balance Sheet date.

**12 Contingent liabilities**

There are no Contingent Liabilities.

**13 Reconciliation of operating surplus to net cash inflow from operating activities**

	<b>Year to 31 March 2004 £000</b>	Year to 31 March 2003 £000
Retained surplus	<b>328</b>	335
Depreciation	<b>708</b>	783
Indexation	<b>42</b>	34
Decrease/(increase) in debtors	<b>90</b>	(1,016)
Decrease/(increase) in prepayments	<b>936</b>	0
Increase/(decrease) in creditors	<b>560</b>	(154)
Loss on disposal of asset	<b>7</b>	(2)
Transfer from Government grant reserve	<b>(739)</b>	(803)
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>1,932</u></b>	<b><u>(823)</u></b>



**14 Analysis of changes in cash during the year**

	1 April 2003 £000	Cashflow £000	31 March 2004 £000
Cash at bank and in hand	277	1,932	<b>2,209</b>

**15 Related party transactions**

CHI is a Non Departmental Public Body sponsored by the Department of Health. The Department of Health is regarded as a related party. During the year CHI has made a number of material transactions with the Department and other entities for which the Department is regarded as the parent Department.

In addition, CHI has had various material transactions with the Welsh Assembly Government, NHS Health Authorities and Trusts and central government bodies.

CHI maintains a Register of Interests for the Chairman, Commissioners and Directors. Where any committee decisions are taken which could give rise to a possible conflict of interests, the chair of the meeting ensures at the outset that disclosure is made and the Committee Member withdraws for the duration of any discussion of the relevant item. The following transactions are considered to be disclosable related party transaction

■ **£367,000 Department of Health**

During the year, CHI recharged the Department for administration costs incurred on Clinical Audit, NHS Patient & Staff Surveys, and the development of the Office of Information Healthcare Performance.

- During 2003-2004, CHI provided staff on secondment to assist in the setting up of the Healthcare Commission. Costs to 8 January 2004 of £457,000 were met by the Department of Health, costs between 8 January and 31 March 2004 of £297,000 were met by the Healthcare Commission.

**16 FRS13 financial instruments**

CHI has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to any risk of liquidity. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

**17 Post balance sheet events**

Under the 2003 Act, the Healthcare Commission was established from 1 April 2004. The Healthcare Commission brought together the work of CHI, the private healthcare responsibilities of the National Care Standards Commission (NCSC) and the national health value for money work of the Audit Commission (AC). All assets and liabilities shown in this account transferred to the Healthcare Commission on 1 April 2004 under Transfer Order. These 2003-2004 accounts are the last to be prepared by CHI.

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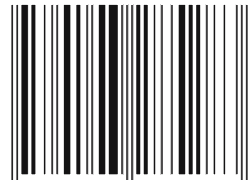
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