



*National Treatment Agency  
for Substance Misuse*

# National Treatment Agency

## Annual Accounts 2011/2012



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for Substance Misuse*

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

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# ANNUAL REPORT

## NTA Business activities, Board membership and Governance

The accounts for the year ended 31 March 2012 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 arm of the Government's drug strategy. The Strategy was revised in December 2010 and confirmed that the NTA will cease to exist as a separate organisation. From 1 April 2013, the NTA's key functions will transfer to Public Health England. 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 eight localities throughout England.

### Accounting Officer's Responsibilities

As Accounting Officer the Chief Executive has responsibility for maintaining sound governance arrangements 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
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 and Transition Group)
Anthony Cooke	NED (also HR Committee)
Alison Comley	NED (also A & R & HR Committees)
Kate Davies	NED (also A & R & HR Committees)
Adrian Evans	NED (also A & R Committee)
Gill Laver	NED (also Chair of A & R Committee and member of HR Committee and Transition Group)
Peter McDermott	NED
Gabriel Scally	NED

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 1.11 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 are required to make a declaration of interest, and 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 2011 to 31 March 2012, 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;

<b>Doreen Massey:</b>	Labour working peer
<b>Anthony Cooke:</b>	Asst. Director, Commissioning and Strategic Development, NHS Kirklees
<b>Alison Comley:</b>	Strategic Director of Health and Social Care, Bristol City Council
<b>Kate Davies:</b>	Executive Lead for Equalities, Nottingham City and Nottingham County PCT Cluster; Prison Treatment Review Board; Diversity Ambassador for Public Appointments Commission
<b>Adrian Evans:</b>	Chair of SPODA and Non Executive Director of the National Probation Service Derbyshire Trust
<b>Peter McDermott:</b>	Consultant, UK Harm Reduction Alliance
<b>Gabriel Scally:</b>	Regional Director of Public Health NHS South West

## 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 a Risk, Controls and Assurance Dashboard developed in conjunction with NTA Internal Auditors (RSM Tenon). 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. As part of the Strategy the NTA's Strategic/High Risk Register is updated regularly and reviewed by the SMT. It is discussed at each Audit and Risk Committee and the Quarterly Accountability Meeting with NTA key civil service officials. 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 it 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. The NTA has produced an Equality Scheme which will be published in June 2012 covering the period 2012/13.

## Staff Resources

During 2011/12 the NTA employed an average of 159 full-time equivalent staff. These include permanent, agency and fixed term contract staff. This is a reduction of 30 staff compared to 2010/11. The NTA Head Office is based in London with approximately 90 staff based at premises at Skipton House at the Elephant and Castle. NTA Regional staff are based in 8 locations within local area across England.

The NTA managerial structure operated through three Directorates; Delivery, Corporate Services and Communications.

## 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. The NTA has now recognised Unite for consultative purposes and the present Staff Representative system ceased on 31 March 2012. A recognition agreement with Unite came into effect from 1 April 2012.

## 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 2011/12 92.35 percent of bills, representing 99.50 percent by value, were paid within the target. For NHS bills, the corresponding figures were 97.67 per cent of bills representing 99.54 per cent by value were paid within the target. The NTA uses the NHS Shared Business Services to process payments.

## Information Governance

The NTA has in place a range of systems which ensure that information maintained by the NTA is secure. The NTA has made good progress in implementing the requirements and recommendations of the Information Governance Assurance Programmes (IGAP). Regular returns are provided as part of the monitoring process. All appropriate NTA staff undertook training on Protecting Information as part of the National School of Government e-learning process. As part of overall compliance the NTA has developed and updated a range of Information Risk Policies, these include an Information Risk Policy, and a Physical, Personal and Information Risk Policy. These were approved by the NTA Board in July 2010.

There were no serious untoward incidences involving data within the NTA in 2011/12.

## 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 2.5 days per member of staff in 2011/12. These figures are reported on a calendar year basis.

## Management Commentary

It was originally envisaged that 2011/12 would be the NTA's final operational year before Public Health England (PHE) took responsibility for supporting drug treatment delivery. In the event, the "pause" to the passage of the Health and Social Care legislation delayed the establishment of PHE until April 2013, so the NTA continued discharging its responsibilities in the meantime.

The operational priorities for 2011/12 in many ways mirrored those described in last year's annual report i.e.

- Implementing the treatment and recovery elements of the government's 2010 Drug Strategy
- Preparing for the NTA transition to Public Health England
- Working with local authorities to facilitate their assumption of commissioning responsibility for drug and alcohol services from 2013.

Headline performance in delivering the recovery ambition that is at the heart of the Drug Strategy, while ensuring that the gains in speedy access and crime reduction achieved since 2001 are retained, is as follows:

**Prevalence:** The number of heroin and crack addicts in England continues to fall, to 306,000 at the last count from a peak of 332,000.

This is reflected in a reduction in the demand for treatment, with the numbers in treatment falling to an anticipated 198,000 this year from a peak of 211,000. There has also been a significant further reduction in the number of heroin users entering treatment for the very first time, which has fallen from 48,000 in 2005/06 to an anticipated 9,000 this year.

Reductions in use among younger age groups have been particularly marked with the over 40s now consistently the largest group entering treatment.

**Successful Completions:** The Drug Strategy emphasises the role of treatment as a platform to enable drug dependent individuals to overcome addiction and go on to achieve full recovery. Improvements in the numbers of individuals completing treatment successfully, having overcome addiction and then not returned to treatment, have continued. In 2010/11 28,000 individuals successfully completed treatment, the equivalent figure for 2011/12 is anticipated to be 30,000.

Further improvements will be driven through:

- Eight Payment by Results drugs recovery pilots focused on directly rewarding service providers for successful completion.
- Incentivising local commissioners by incorporating a reward element in the funding allocation to local partnerships.
- Publishing best practice advice and clinical guidelines.
- Improving the skills of front line practitioners in partnership with providers.

**Access:** Central government investment in drug treatment was maintained at the previous year's level in 2011/12; however there is some evidence to suggest that investment from local PCTS and Local Authorities is reducing in many areas. Despite this, access to treatment remained at high levels across the country with average waiting times steady at five days.

## Financial Performance

The NTA is allocated revenue annually by the Department of Health (DH). The NTA also receives funding through the Home Office to cover costs associated with the Drug Interventions Programme. Further funding was also provided by the DH for a number of projects managed by the NTA in 2011/12, the most significant of these was funding for RIOTT and IDTS. In 2011/12 the Net Expenditure was £9,715k against a Revenue Resource limit of £10,143k resulting in an underspend in the year of £428k. 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) which 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 2011/12 and has reported accordingly to the NTA Board and Audit and Risk Committee throughout the 2011/12 financial year. The NAO remuneration for audit work in 2011/12 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 16 & 17.

## 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.



**Paul Hayes**  
Chief Executive  
11 June 2012

# REMUNERATION REPORT

## 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)
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 and Transition Group)
Anthony Cooke	(NED) (also HR Committee)
Alison Comley	(NED) (also A & R & HR Committees)
Kate Davies	(NED) (also A & R & HR Committees)
Adrian Evans	(NED) (also A & R Committee)
Gill Laver	(NED) (also Chair of A & R Committee and member of HR Committee & Transition Group)
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 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 were 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 are conditional on these targets being met. Performance Related Pay awards are normally paid a year in arrears.

The Department of Health advised the NTA Board that there would be no increase in basic pay for VSMS, Chairs and Non Executive Directors in 2011/12. No performance related pay awards were paid to VSMS in 2011/12.

#### **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 (six months in the case of the Chief Executive), 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. As a consequence of the transfer of NTA functions to Public Health England on 1 April 2013, some Non Executive Directors and the Chair of the Board have had their term of office extended during the transitional year.

#### **5. Remuneration of senior managers during 2010/11**

The remuneration relating to all senior managers in post during 2011/12 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	2011/12			2010/11		
	Salaries (exc. non- consolidated performance pay)	Non- consolidated Performance Pay	Benefits in kind	Salaries (exc. non- consolidated performance pay)	Non- consolidated Performance Pay	Benefits in kind
	£'000	£'000	nearest £100	£'000	£'000	nearest £100
Paul Hayes Chief Executive	130-135	0	0	130-135	5-10	0
Jonathan Hibbs Director of Communications	90-95	0	0	90-95	0-5	0
Stephen Hodges Director of Corporate Services	90-95	0	0	90-95	0-5	0
Rosanna O'Connor Director of Delivery	90-95	0	0	90-95	0-5	0
Doreen Massey Board Chair	20-25	0	0	20-25	0	0
Anthony Cooke Non Executive Director	5-10	0	0	5-10	0	0
Alison Comley Non Executive Director	5-10	0	0	5-10	0	0
Kate Davies Non Executive Director	5-10	0	0	5-10	0	0
Adrian Evans Non Executive Director	5-10	0	0	5-10	0	0
Gill Laver Non Executive Director	10-15	0	0	10-15	0	
Peter McDermott Non Executive Director	5-10	0	0	5-10	0	0
Gabriel Scally Non Executive Director	5-10	0	0	0	0	0
<b>Highest Earner's Total Remuneration (£'000)</b>		<b>130-135</b>			<b>135-140</b>	
<b>Median Total Remuneration</b>		<b>40,157</b>			<b>39,504</b>	
<b>Ratio</b>		<b>3.30</b>			<b>3.48</b>	

## 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	related to	Equivalent	Equivalent	increase	contri-
	at age 60	at age 60	age 60 at	accrued	Transfer	Transfer	in Cash	bution
	(bands of	(bands of	31 March	pension at	Value at	Value at	Equivalent	to stake-
	£2,500)	£2,500)	2011	31 March	31 March	31 March	Transfer	holder
	£000	£000	(bands of	2012	2012	2011	Value	pension
			£5,000)	(bands of	£000	£000	£000	£000
			£000	£5,000)				
Paul Hayes Chief Executive	0-2.5	5.0-7.5	55-60	165-170	0	1,274	0	0
Jonathan Hibbs Director of Communications	17.5-20	0	15-20	0	263	4	259	0
Stephen Hodges Director of Corporate Services	0-2.5	2.5-5.0	35-40	110-115	756	703	53	0
Rosanna O'Connor Director of Delivery	0-2.5	2.5-5.0	10-15	30-35	0	0	0	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

11 June 2012

## **ANNUAL ACCOUNTS 2011/12**

### **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.

# GOVERNANCE STATEMENT

## 1. NTA Governance Framework and Scope of Responsibilities

### Role of the NTA

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 arm of the Government's drug strategy. From 1 April 2013, the NTA's functions will transfer to Public Health England (PHE).

### Accountability Arrangements

The NTA is accountable, through its Chair, to the Secretary of State for Health who is accountable to Parliament. The Secretary of State for Health determines the broad policy and financial framework within which the NTA operates and approves its Corporate Plan and annual Business Plan, but is not involved in the day-to-day management of the organisation.

The Chief Executive as Accounting Officer for the NTA has 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 they are personally responsible as set out in Managing Public Money produced by HM Treasury. In addition the Accounting Officer is responsible for ensuring the proper stewardship of the NTA's public funds and assets.

The Chief Executive is accountable to the Chair and Board of the NTA for progress on the agreed programme of work and use of resources. The Board's role is to ensure that the NTA conducts its business on behalf of the NHS in the most effective way.

### NTA Board

The Board of the NTA is made up of Executive Directors from the NTA and independent Non Executive Directors from the drug treatment field, local authorities, the NHS, service users, carer and criminal justice. The NTA complies with the requirements of the *Corporate Governance Code* in so far as they relate to public bodies. The Board is responsible for:

- Approving the work programme, budget and general strategy of the NTA
- Providing independent advice on the NTA's strategy to the Secretary of State for Health
- Overseeing the NTA's general performance.

There are three Executive Directors and eight Non Executive Directors including the Board Chair. Additionally the Board has a number of co-opted stakeholder members from the government departments, including Health, Home Office, Criminal Justice and Education. The Board meets a minimum of four times a year. The Board holds both a public and private meeting. The private meeting deals with confidential matters which are not appropriate in a public forum.

### Board Committees

The Board operates a number of Committees, these include an Audit and Risk Committee, Human Resources Committee (Remuneration Committee) and a Transition Group. The Audit and Risk Committee supports the Board by reviewing governance and assurance process on which the Board places reliance. Within the NTA the Committee also has responsibility of monitoring and gaining assurance relating to the organisation's Risk Management frameworks. Membership of the Committee is drawn from Non Executive members of the Board, supported by NTA staff including the Chief Executive, Director of Corporate Services, and NTA Finance staff. The NTA's Internal and External Auditors also attend. The Committee meets a minimum of five times each year.

The Human Resources Committee has responsibility for remuneration matters. The Committee's responsibility is to ensure that the NTA has appropriate skilled staff and policies to deliver its key corporate objectives. The Committee ensures that there are appropriate staffing policies, performance management and training in place. It is also responsible for ensuring that a policy and process for performance review of the Chief Executive and Executive Directors is in place, and agreed by the Board. The work of the Committee is set against the context of other regulatory agreements, e.g. schemes of delegation. Membership is drawn from Non Executive Directors and supported by NTA staff as necessary. The Committee meets as necessary. However, during 2011/12 regular meetings of the Committee were reduced due to the formation of a Transition Group. The Terms of Reference of the Transition Group are to address transition issues, process and timings, workforce change, retention, recruitment and redundancy, change communication and NTA organisational health. Membership consists of the Board Chair, the Chair of the Audit and Risk Committee, Chief Executive and Director of Corporate Services.

The Transition Group meets prior to each Board meeting, and then presents oral feedback to the Private Board; this information is for discussion and will be captured as part of the Board minutes.

### **Reporting to the Board**

At its public meetings, the Board receives reports from the Chief Executive outlining key issues which members need to be aware of. In addition reports and quarterly performance information on key indicators and objectives are provided as well as budget update reports. Papers and presentations are provided on a range of issues. In 2011/12 for example there were presentations on issues ranging from, treatment in local areas, rehabilitation and the implications of the Bribery Act 2010. Meetings also receive minutes of Committee meetings and an annual report on the work undertaken by the Audit and Risk Committee is provided.

The meeting of the Board in March 2012 received presentations from the Director of Corporate Services and Chair of the Audit and Risk Committee on its duty of care responsibilities and governance and risk issues relating to the move to PHE. This was the first of a number of presentations and discussions are programmed in the next year of Board meetings looking at operational and corporate risks to delivery of NTA core functions.

### **Board Effectiveness**

No formal assessment of the Board's effectiveness took place in 2011/12. The Board last reviewed its functions and effectiveness through an annual Board away day. The last formal away day was held in January 2011. The meeting reviewed the way the Board operated and focussed on the NTA transition into PHE. It looked at ways of working across Government, delivery focus and activity, communications, organisational structure and resource management. It agreed changes to the formal meeting structure of the Board and its Committees in preparation for the move of functions to PHE.

Based on the above, I am satisfied that the governance framework was effective during the period under review.

## **2. Risk Assessment and Assurance**

### **Risk Management**

Risk identification and management is reviewed and monitored by the Audit and Risk Committee on behalf of the Board. The formal risk processes have operated within the NTA since 2003/04 and have been regularly reviewed and updated. The Board's Risk Management Policy and Strategy was updated and approved in September 2011. The policy sets out the Agency's approach to risk management and monitoring including objectives, the NTA risk management structure and includes definitions and clarity on risk scoring and its application in order to better understand the NTA risk tolerances and associated responses. The strategy also includes the implementation of a 'risk road map' which identifies the key activities that are completed each year and enables the NTA to monitor them appropriately.

## **Assurance**

The 'risk road map' ensures that there are indicative dates for planned actions against the following risk management elements; review and implementation of the revised risk management policy and strategy, strategic risk management, operational risk management and risk control assurance framework. 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 and Business Plans, as well as the Risk, Controls and Assurance Dashboard (RCAD), developed in conjunction with the NTA's internal auditors RSM Tenon. As part of the risk assessment, ownership of each key risk is identified by the Executive Directors and NTA managers.

Key risks are monitored collectively by the Senior 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 and through the RCAD. Reports are also provided at regular departmental accountability review meetings held with stakeholder Government departments.

## **Review of Risks and Risk Management**

The NTA's, Strategic and High Risk Register is updated regularly and each year there is a comprehensive refresh of all Directorate business plans and risks. Regular training events for staff on risk management and the risk management software used by the NTA is provided by RSM Tenon as necessary.

The Audit and Risk Committee is engaged in influencing, and overseeing, the risk management and assurance framework within the NTA. 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 and are monitored by the Committee.

The NTA Risk Management Policy and Strategy requires communication to be carried out with internal and external stakeholders on the risk management process. Regular meetings take place as part of the accountability framework with senior staff at the Department of Health and, Home Office and other appropriate Government Departments. These provide a further opportunity to examine the NTA approach to risk management and discuss the organisation's objectives and strategic risks.

The NTA has in place a range of systems which ensure that information maintained by the NTA is secure. The NTA has implemented most of the requirements and recommendations of the Information Governance Assurance Programmes (IGAP). All NTA staff are trained using the Protecting Information e-learning package. Regular returns are provided as part of the monitoring process. There were no lapses of data security in 2011/12.

## **Key Risks**

There were four strategic risks identified within the NTA Strategic Risk Register throughout most of 2011/12. These were; resource restraints, managing transition, drug sector skills deficit and the failure to consistently prioritise reintegration in local areas.

During 2011/12 there has been considerable focus on the risks to operational and corporate delivery associated with the move of NTA functions to PHE and risks associated with the government's shared services agenda and comprehensive spending review. The transfer of NTA functions originally scheduled for 1 April 2012 has been delayed and is now scheduled for 1 April 2013. The Board and Audit and Risk Committee identified transition risks as being high. The NTA's Senior Management Team has ensured that PHE transition remains high priority and is discussed at the weekly management meetings. The NTA's Internal Audit Annual Report reported that transition will have a significant impact on the NTA's risk management, control and governance arrangements. The NTA Board and Management are aware that managing this process is crucial whilst at the same time ensuring that operational and corporate business continues with the maintenance of performance. The NTA are playing an active role in working with the PHE Transition team in preparation for PHE and ensuring that drug and alcohol treatment is given the necessary priority in the design and resourcing of PHE. This will continue in 2012/13.

Based on the above, I am satisfied that risk management processes are effective, and I have received sufficient assurance that they have operated effectively during the period under review.

### **3. External Review of the effectiveness of Risk Management and Internal Control**

#### **Internal Audit**

The NTA Internal auditors, RSM Tenon undertook ten reviews in 2011/12. Eight of these were assurance based audits, one was advisory and one was a follow up of audits undertaken the previous year. Five assurance based reviews received the highest positive assurance opinion (green). One received amber/green and a further one received amber/red.

There were some specific weaknesses identified in the IT Business Continuity/Disaster Recovery Plan which are being addressed by management. A number of other recommendations were made by RSM Tenon which would further improve the risk control framework and these have been agreed and are in the process of being implemented.

The Internal audits focused on those business critical areas where, should risks materialise, the impact on the reputation and operations of the NTA might be detrimental. On the basis of their opinion;

*RSM Tenon noted that Governance is managed. "Supporting the Risk Management Policy and Strategy, risk management roles and responsibilities are clearly assigned and understood by the Board and SMT. Sessions for discussion and challenge of information presented to support the management of risk are arranged throughout the year, including independent check and challenge, prior to presentation of an updated position to the Audit and Risk Committee at each session."*

RSM Tenon reviewed evidence to demonstrate that risk management is regularly reviewed by SMT, the Audit and Risk Committee and the Transition Group.

*"Risk Identification is managed. NTA has demonstrated that continuous risk identification is undertaken with clearly defined risks using cause and effect analysis. An on-going process of horizon scanning is subject to independent check and challenge on a quarterly basis prior to presentation to the Audit and Risk Committee. Arising from our review, we made one Medium priority recommendation to ensure that the risk management process encompasses and records a specific set of risks arising from the transition from NTA to PHE. This should be cross referenced to the relevant sections of the RCAD in order to support a consolidated risk position for presentation to the Audit Committee."*

*Risk Assessment is managed. We are satisfied that a consistently applied risk scoring methodology is used for assessing risk both inherently and residually. An updated assessment position is recorded for each period with details recorded to support any changes made, including any assurances provided during that period".*

The NTA therefore maintained its overall Risk Managed status in 2011/12.

The Head of Internal Audit opinion provided through the Internal Audit Annual Report for the year ending 31 March 2012 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 Substance Misuse arrangements."*

*For the 12 months ending 31 March 2012 based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of National Treatment Agency for Substance Misuse arrangements for governance, risk management and control is as follows;*

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

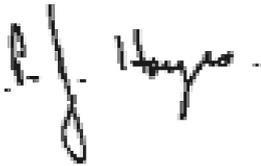
#### **Local Counter Fraud Specialists**

Reviews undertaken by Local Counter Fraud Specialists (RSM Tenon) identified that no counter fraud referrals were received during 2011/12 though it was noted that there was one carry forward referral carried forward from 2010/11. No action by police was taken in respect of this case but it was noted that a payment of approximately £500 was not paid as a result of the vigilance and action taken by a member of NTA staff.

Based on the external reviews carried out by Internal Audit, and the Local Counter Fraud Specialist, I have assurance that governance, risk management, and internal control are operating effectively.

#### **4. Conclusion on Governance Arrangements**

I am therefore content, based on my consideration of the NTA Governance Framework; Risk Management and Assurance; and External Reviews of Risk Management and Internal Control that overall governance arrangements were fit for purpose and provided the necessary assurance to assist the NTA in meeting its objectives during the period under review. The robustness of these arrangements will remain even more important as we respond to the challenges of transition to PHE.



**Paul Hayes**  
Chief Executive  
11 June 2012

# 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 2012 under the National Health Service Act 2006. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the National Treatment Agency, Accounting Officer and auditor**

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

#### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

#### **Opinion on Regularity**

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

#### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the National Treatment Agency for Substance Misuse's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and 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 Management Commentary 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

Without qualifying my opinion, I draw attention to the disclosures made in Note 1 to the financial statements concerning the application of the going concern principle in the light of the planned abolition of the National Treatment Agency for Substance Misuse. As the National Treatment Agency for Substance Misuse's functions are transferring to other Government bodies, it remains appropriate for the National Treatment Agency for Substance Misuse to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

**Amyas C E Morse**  
**Comptroller and Auditor General**

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

28 June 2012

# ACCOUNTS OF NATIONAL TREATMENT AGENCY 2011/12

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011/12 £000	2010/11 £000
<b>Expenditure</b>			
Staff costs	3	8,774	9,802
Depreciation	4	221	375
Other Expenditures	4	6,171	9,153
		<u>15,166</u>	<u>19,330</u>
<b>Income</b>			
Income from Activities	5	(5,441)	(9,078)
Other Income	5	(10)	(18)
		<u>(5,451)</u>	<u>(9,096)</u>
<b>Net Expenditure</b>		<u>9,715</u>	<u>10,234</u>

*The notes on pages 22 to 33 form part of these accounts*

## Statement of Financial Position as at 31 March 2012

	Note	2011/12 £000	2010/11 £000
<b>Non-current assets</b>			
Property, Plant & Equipment	6	398	409
Intangible assets	7	67	91
<b>Total non-current assets</b>		<u>465</u>	<u>500</u>
<b>Current assets</b>			
Trade and Other receivables	11	110	3,963
Other current assets	11	87	416
Cash and cash equivalents	12	3,580	590
<b>Total current assets</b>		<u>3,777</u>	<u>4,969</u>
<b>Total assets</b>		<u>4,242</u>	<u>5,469</u>
<b>Current Liabilities</b>			
Trade and Other payables	13	(164)	(732)
Other liabilities	13	(2,580)	(3,667)
<b>Total current liabilities</b>		<u>(2,744)</u>	<u>(4,399)</u>
<b>Non-current assets plus/less net current assets/liabilities</b>		<u>1,498</u>	<u>1,070</u>
<b>Assets less liabilities</b>		<u>1,498</u>	<u>1,070</u>
<b>Reserves</b>			
General reserve		<u>1,498</u>	<u>1,070</u>
		<u>1,498</u>	<u>1,070</u>

*The notes on pages 22 to 33 form part of these accounts*



**Paul Hayes**  
Chief Executive and Accounting Officer  
11 June 2012

## Statement of Cash Flows for the year ended 31 March 2012

	Note	2011/12 £000	2010/11 £000
<b>Cash flows from operating activities</b>			
Net expenditure after cost of capital and interest		<b>(9,715)</b>	(10,234)
Adjustment for loss on disposal	6	<b>0</b>	4
Adjust for non-cash transactions	4	<b>211</b>	379
(Increase)/decrease in trade and other receivables	11	<b>3,853</b>	(3,082)
(Increase)/decrease in other receivables	11	<b>329</b>	(130)
Increase/(decrease) in trade payables	13	<b>(568)</b>	100
Increase/(decrease) in other payables	13	<b>(1,087)</b>	(819)
<b>Net cash outflow from operating activities</b>		<b><u>(6,967)</u></b>	<u>(13,782)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant, property and equipment	6	<b>(181)</b>	(149)
Purchase of intangible assets	7	<b>(5)</b>	(13)
<b>Net cash outflow from investing activities</b>		<b><u>(186)</u></b>	<u>(162)</u>
<b>Cash flows from financing activities</b>			
Grants from parent department		<b>10,143</b>	10,707
<b>Net financing</b>		<b><u>10,143</u></b>	<u>10,707</u>
<b>Net increase/(decrease) in cash and cash equivalents at 31 March 2012</b>	12	<b>2,990</b>	(3,237)
<b>Cash and cash equivalents at 31 March 2011</b>	12	<b>590</b>	3,827
<b>Cash and cash equivalents at 31 March 2012</b>		<b><u>3,580</u></b>	<u>590</u>

*The notes on pages 22 to 33 form part of these accounts*

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	<b>I&amp;E Reserve £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2010</b>	597	597
Changes in accounting policy	—	—
<b>Restated balance at 1 April 2010</b>	<u>597</u>	<u>597</u>
<b>Changes in reserves 2010/11</b>		
Retained Surplus/(Deficit)	<u>(10,234)</u>	<u>(10,234)</u>
<b>Total recognised income and expense for 2010/11</b>	<u>(10,234)</u>	<u>(10,234)</u>
Grant from Parent	<u>10,707</u>	<u>10,707</u>
<b>Balance at 31 March 2011</b>	<u>1,070</u>	<u>1,070</u>
<b>Changes in taxpayers' equity for 2011/12</b>		
Non-cash charges – cost of capital	—	—
Retained Surplus/(Deficit)	<u>(9,715)</u>	<u>(9,715)</u>
<b>Total recognised income and expense for 2011/12</b>	<u>(9,715)</u>	<u>(9,715)</u>
Grant from Parent	<u>10,143</u>	<u>10,143</u>
<b>Balance at 31 March 2012</b>	<u>1,498</u>	<u>1,498</u>

The Total Reserves represent the net assets vested in the National Treatment Agency at 1 April 2001 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities, and the Parliamentary Funding provided since that date.

# Notes to the Accounts

## 1. Accounting Policies

The Secretary of State for Health, under the National Health Service Act 2006, has directed that the financial statements of the National Treatment Agency for Substance Misuse (Agency), shall meet the accounting requirements of H M Treasury's Financial Reporting Manual (FReM). Consequently, the following 2011/12, financial statements have been prepared in accordance with the 2011/12 FReM. From 2010/11, 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 Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency 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.

On 26th July, 2010, the Department of Health published a report on the Arms-Length Bodies review, proposing the abolition of the NTA and the transfer of its functions to within the new Public Health England. Management note that legislation has now been passed by Parliament to create Public Health England. Consequently, the NTA will be abolished on 31 March 2013, and its functions will be transferred to Public Health England from 1 April 2013. Management are satisfied that sufficient funding is in place to enable NTA to continue trading and meet its obligations as they fall due. Additionally, as the National Treatment Agency for Substance Misuse's functions are transferring to other Government bodies, it remains appropriate for the National Treatment Agency for Substance Misuse to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

### 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 Net Expenditure Account, in which case it is credited to the Net Expenditure Account 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 Net Expenditure Account.

### 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 Net Expenditure Account. 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 Net Expenditure Account 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 Net Expenditure Account 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. All intangible assets are treated as if they have a finite useful economic life. The Agency has chosen 5 years to amortise such assets. 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 Agency. 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. Likewise, when an activity has begun and we have not received the full funding for the work, the income is accrued, applying the accruals convention.

## 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. This is a change in accounting policy from the prior year.

## 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

From 1 April 2010, the Agency is no longer required to show treatment of Property, Plant & Equipment in the accounts in accordance with the principal capital charges objective to ensure that such charges are reflected in the cost of capital.

## 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 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. Further information can be found on the NHS Pensions website, [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

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.

## 1.12 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 Net Expenditure Account.

### 1.13 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.

### 1.14 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 Net Expenditure Account 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 Net Expenditure Account to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when 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. Analysis of Net Expenditure by Segment

The Agency has no separately identifiable segments under IFRS 8.

### 3. Staff numbers and related costs

#### Staff costs comprise:

	Permanently employed			2010/11 £000
	Total	Staff	Others	Total
Salaries and wages	7,227	6,836	391	8,249
Social security costs	649	649	–	621
Other pension costs	785	785	–	862
Accrued Annual Leave	113	113	–	70
<b>Total</b>	<b>8,774</b>	<b>8,383</b>	<b>391</b>	<b>9,802</b>
Less recoveries in respect of outward secondments	(202)	(202)	–	(471)
<b>Total net costs</b>	<b>8,572</b>	<b>8,181</b>	<b>391</b>	<b>9,331</b>

#### Average number of persons employed

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

	Permanent			2010/11 Number
	Total	Staff	Others	Total
Directly employed	159	153	6	189
<b>Total</b>	<b>159</b>	<b>153</b>	<b>6</b>	<b>189</b>

### 4. Other Expenditure

	Note	2011/12 £000	2010/11 £000
Running Costs		604	964
External Data Contracts		2,394	3,557
Rentals under operating leases		181	42
Non Executive members' remuneration		89	92
Auditors' remuneration – External		26	31
Auditors' remuneration – Internal		62	66
Transport and moveable plant		2	9
Premises and non-current plant		806	1,300
<b>Non-cash items</b>			
Depreciation	6	192	344
Amortisation	7	29	31
Loss on disposal of property, plant and equipment		–	4
<b>Total Non-cash items</b>		<b>221</b>	<b>379</b>
Employee Benefits		4	4
Redundancies		237	–
Research Costs		1,765	3,084
Miscellaneous		1	–
<b>Total</b>		<b>6,392</b>	<b>9,528</b>

## 5. Income

	2011/12	2010/11
	£000	£000
Sales of Services	5,441	9,078
Other	10	18
<b>Total</b>	<b>5,451</b>	<b>9,096</b>
<b>*Sales of Services</b>	<b>£000</b>	<b>£000</b>
Integrated Drug Treatment System (DH)	1,177	1,889
RIOTT (DH)	1,400	1,984
DIP (Home Office)	1,890	2,043
System Change Pilots	–	1,947
Other departmental income (including secondments)	974	1,215
<b>Total</b>	<b>5,441</b>	<b>9,078</b>

## 6. Property, Plant and Equipment

	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2011	1,113	200	1,313
Additions	179	2	181
Disposals	(586)	–	(586)
<b>At 31 March 2012</b>	<b>706</b>	<b>202</b>	<b>908</b>
<b>Depreciation</b>			
At 1 April 2011	847	57	904
Charged in year	162	30	192
Disposals	(586)	–	(586)
<b>At 31 March 2012</b>	<b>423</b>	<b>87</b>	<b>510</b>
<b>Net book value at 31 March 2011</b>	<b>266</b>	<b>143</b>	<b>409</b>
<b>Net book value at 31 March 2012</b>	<b>283</b>	<b>115</b>	<b>398</b>
<b>Asset financing:</b>			
Owned	283	115	398
<b>Net book value at 31 March 2012</b>	<b>283</b>	<b>115</b>	<b>398</b>
	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2010	1,218	190	1,408
Additions	140	9	149
Disposals	(244)	–	(244)
<b>At 31 March 2011</b>	<b>1,114</b>	<b>199</b>	<b>1,313</b>
<b>Depreciation</b>			
At 1 April 2010	772	28	800
Charged in year	315	29	344
Disposals	(240)	–	(240)
<b>At 31 March 2011</b>	<b>847</b>	<b>57</b>	<b>904</b>
Net book value at 31 March 2010	446	163	609
<b>Net book value at 31 March 2011</b>	<b>267</b>	<b>142</b>	<b>409</b>
<b>Asset financing:</b>			
Owned	267	142	409
<b>Net book value at 31 March 2011</b>	<b>267</b>	<b>142</b>	<b>409</b>

## 7. Intangible assets

	Software purchased £000	Licences and trademarks £000	Develop- ment Expenditure £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2011	105	50	54	209
Additions	5	–	–	5
Disposals	(11)	–	–	(11)
<b>At 31 March 2012</b>	<b>99</b>	<b>50</b>	<b>54</b>	<b>203</b>
<b>Amortisation</b>				
At 1 April 2011	76	16	26	118
Charged in year	8	10	11	29
Disposals	(11)	–	–	(11)
<b>At 31 March 2012</b>	<b>73</b>	<b>26</b>	<b>37</b>	<b>136</b>
<b>Net book value at 31 March 2012</b>	<b>26</b>	<b>24</b>	<b>17</b>	<b>67</b>
Net book value at 31 March 2011	29	34	28	91

	Software purchased £000	Licences and trademarks £000	Develop- ment Expenditure £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2010	107	38	55	200
Additions	0	13	0	13
Disposals	(3)	0	0	(3)
<b>At 31 March 2011</b>	<b>104</b>	<b>51</b>	<b>55</b>	<b>210</b>
<b>Amortisation</b>				
At 1 April 2010	67	6	15	88
Charged in year	10	10	11	31
<b>At 31 March 2011</b>	<b>77</b>	<b>16</b>	<b>26</b>	<b>119</b>
<b>Net book value at 31 March 2011</b>	<b>27</b>	<b>35</b>	<b>29</b>	<b>91</b>
Net book value at 31 March 2010	40	32	40	112

## 8. 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 risk. The Agency's financial instruments consist of Loans and Receivables, and the fair values are not materially different from the carrying values.

### 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

The Agency has low exposure to credit risk because the majority of its income comes from funds voted by Parliament and Other Government Departments.

### 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.

## 9. Impairments

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

## 10. Inventories

The Agency had no inventory to report this financial year

## 11. Trade receivables and other current assets

	2011/12 £000	2010/11 £000
<b>Amounts falling due within one year</b>		
NHS receivables	17	3,895
Non-NHS receivables	50	40
Other receivables	43	28
Prepayments and accrued income	87	416
	<u>197</u>	<u>4,379</u>

### Intra-Government Analysis

	2011/12 £000	2010/11 £000
Local Government Bodies	12	13
NHS Bodies	17	3,895
Other Central Government Bodies	19	–
Bodies External to Government	149	471
	<u>197</u>	<u>4,379</u>

## 12. Cash and Cash equivalents

	2011/12 £000	2010/11 £000
Balance at 1 April 2011	590	3,827
Net change in cash and cash equivalent balances	2,990	(3,237)
Balance at 31 March 2012	<u>3,580</u>	<u>590</u>

### The following balances at 31 March were held at:

Government Banking Services	3,579	589
Commercial banks and cash in hand	1	1
Balance at 31 March 2012	<u>3,580</u>	<u>590</u>

### 13. Trade payables and other current liabilities

	2011/12 £000	2010/11 £000
<b>Amounts falling due within one year</b>		
Tax and social security	–	(325)
NHS payables (revenue)	(5)	(132)
Non-NHS payables (revenue)	(159)	(600)
Accruals and deferred income	(2,580)	(3,342)
	<u>(2,744)</u>	<u>(4,399)</u>

#### Intra-Government Analysis

	2011/12 £000	2010/11 £000
Local Government Bodies	(16)	(93)
NHS Bodies	(2,777)	(2,720)
Other Central Government Bodies	(21)	(326)
Public Corporations and Trading Funds	–	–
Bodies External to Government	(430)	(1,260)
	<u>(2,744)</u>	<u>(4,399)</u>

### 14. Provisions for liabilities and charges

The Agency had no provisions to report this financial year.

### 15. Capital commitments

The Agency has nothing to declare under this heading.

### 16. Commitments under leases

#### 16.1 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

	2011/12 £000	2010/11 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	181	651
<b>Total</b>	<u>181</u>	<u>651</u>
<b>Total future minimum lease payments</b>		
<b>Payable:</b>		
By 31 March 2013	129	273
Between 1 April 2013 and 31 March 2017	–	905
<b>Total</b>	<u>129</u>	<u>1,178</u>

The Agency has operating lease arrangements in place on its regional offices for which rent is payable quarterly and terms renewable annually. There are no purchase options, escalation clauses or restrictions imposed by these lease arrangements, such as those concerning dividends, additional debt, and further leasing, applicable to the Agency.

**17. Commitments under PFI contracts**

The Agency has nothing to declare under this heading.

**18. Other financial commitments**

The Agency has nothing to declare under this heading.

**19. Contingent liabilities disclosed under IAS 37**

The Agency has nothing to declare under this heading.

**20. Events after the reporting period**

In accordance with the requirements of IAS10 'Events after the Reporting Period', post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The Agency had no post balance sheet events to report up to this date.

**21. Related Party Transactions**

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

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

The Agency has its financial services provided by NHS Shared Business Services according to the contract.

In addition, the Agency has had a number of material transactions with other government related entities.

These are disclosed below and are based upon the following criteria:

All Related Parties where Senior Officers have some relationship with the body, and

All Other Governmental Bodies where sums paid or received exceeds £100k.

	<b>Paid</b>	<b>Received</b>
	<b>£</b>	<b>£</b>
Birmingham Womens NHS Foundation Trust	250,420	
Cambridgeshire PCT	221,379	
Department for Communities and Local Government	137,915	
Department for Education		160,000
Department Of Health	632,378	2,813,231
Home Office		1,907,682
Milton Keynes PCT	340,512	
South Central Strategic Health Authority		294,000
South London and Maudsley NHS Foundation Trust	1,819,625	
Southampton University Hospitals NHS Trust	245,555	

**22. Third-party assets**

The Agency has nothing to declare under this heading.

**23. Losses and Special Payments**

The Agency has nothing to declare under this heading.

## **24. Early adoption of IFRS's, amendments and interpretations**

The NTA have not adopted any IFRS's, amendments or interpretations early.

### **IFRS's, amendments and interpretations in issue but not yet effective, or adopted**

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS's, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the NTA:

#### **IFRS 7 Financial Instruments**

Disclosures amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.

#### **IFRS 9 Financial Instruments**

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 applies when other IFRS's require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.

#### **IAS 1 Presentation of Financial Statements**

Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.

#### **IAS 19 Employee Benefits**

The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.

#### **IAS 32 Offsetting Financial Assets and Financial Liabilities**

Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

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.



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