NICE National Institute for Health and Care Excellence

National Institute for Health and Care Excellence

Annual Report and Accounts 2013/14

National Institute for Health and Care Excellence (Non-Departmental Public Body)

Annual Report and Accounts 2013/14

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Chair's and Chief Executive's foreword

In our first year as the National Institute for Health and Care Excellence – our third name since we were established in 1999 – our main challenge has been to maintain and build on the relationships we have created with the NHS and local government in our clinical and public health programmes, and at the same time reach out to the social care communities with whom we will work.

The opportunity to create best practice solutions for social care, alongside our offer to the NHS and public health communities, is perhaps the most significant development in our portfolio since our merger with the Health Development Agency in 2005. As we launch our new programme of social care guidance and quality standards, helping health and social care professionals to work more closely and effectively together, we will help to improve care and reveal more opportunities for better use of resources.

The report by Robert Francis into the care provided by the Mid-Staffordshire NHS Foundation Trust revealed how poor care can exist even when guidelines and standards, from NICE and other bodies, set out what can and ought to be achieved with current resources. Recommendations for NICE to further develop our quality standards and prepare guidance on safe staffing levels will enable us to do more to help ensure that such extreme examples of failure do not occur again. Our first guidance on staffing levels should be published in July 2014.

The Francis Report also reminds us of the challenge involved in making sure our guidance is part of day to day practice. We have reviewed how our implementation resources are being deployed, to help us engage with maximum effect in the new NHS and social care architecture.

That changing architecture has also caused us to review our relationships with existing bodies both locally and nationally, and to create new ones with organisations such as NHS England and Public Health England. One year on, these new partnerships are proving to be both productive and robust as we test them in new and sometimes unpredictable circumstances.

Through all this change, our staff and the individuals and organisations with whom we work to create our guidance remain the reason we succeed. They are by far the most important part of NICE. We are, as ever, enormously grateful to them.

Professor David Haslam CBE Chair
Sir Andrew Dillon Chief Executive

Overview

WHO WE ARE

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

From April 2013, we were established in primary legislation, becoming a non-departmental public body (NDPB) in England, placing us on a solid statutory footing as set out in the Health and Social Care Act 2012. At this time we took on responsibility for developing guidance and quality standards in social care. Our name also changed to the National Institute for Health and Care Excellence to reflect these new responsibilities. We have agreements to provide certain NICE services to Wales, Scotland and Northern Ireland. Decisions on how NICE guidance and other products apply in those countries are made by ministers in the devolved administrations.

As an NDPB, we are accountable to our sponsor department, the Department of Health, but operationally we are independent of government. Our guidance and other recommendations are made by independent committees. The NICE Board sets our strategic priorities and policies, but the day to day decision making is the responsibility of our Senior Management Team.

In 2013/14, we published 20 new clinical guidelines, 31 technology appraisals, guidance on 34 interventional procedures, guidance covering 4 medical technologies and 8 public health topics. Our diagnostic assessment programme produced guidance on 4 topics, and we issued 28 quality standards. We developed 9 public health briefings for local government that summarise recommendations from NICE public health guidance. We also published our first piece of social care guidance in March 2014 on 'Managing medicines in care homes'.

In addition, we produced 17 evidence updates, 25 evidence summaries on new medicines, and 23 evidence summaries on unlicensed/off-label medicines.

Professor David Haslam is the Chair of NICE, following the retirement of Professor Sir Michael Rawlins, and Sir Andrew Dillon is Chief Executive.

HOW WE ORGANISE OUR WORK

CENTRE FOR CLINICAL PRACTICE

This directorate develops guidance, in the form of clinical guidelines, on the appropriate treatment and care of people with specific diseases or conditions for people working in the NHS. It contains the Medicines and Prescribing Centre, which is responsible for developing evidence summaries for selected new medicines and for unlicensed/off-label medicines that are considered to be of clinical significance to the NHS, where there are no clinically appropriate licensed alternatives.

The directorate is also responsible for distributing the British National Formulary (BNF) and British National Formulary for Children (BNFC) medicines guides to the NHS.

CENTRE FOR PUBLIC HEALTH

This directorate develops guidance on the prevention of disease and the promotion of good health. Its guidance is aimed at those working in the NHS, local authorities, the

wider public, and private and voluntary sectors. Our public health guidance focuses on a particular topic (such as smoking), population (such as children), or setting (such as the workplace). The directorate also produces NICE local government briefings, which aim to help local authorities and partner organisations with their new public health responsibilities.

CENTRE FOR HEALTH TECHNOLOGY EVALUATION

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

This year the directorate took on responsibility for the Highly Specialised Technologies programme, which provides recommendations on the use of new and existing highly specialised medicines treatments within the NHS. The directorate also includes the Research and Development team, which helps to improve the methods that NICE uses to develop guidance and encourages partners to commission research relevant to our work.

COMMUNICATIONS DIRECTORATE

The Communications directorate is responsible for raising awareness of our work among key audiences and external partners, and for protecting and enhancing our reputation by using the most effective channels. The directorate manages the publication and dissemination of NICE guidance, runs the NICE website and handles press and public enquiries.

The website receives an average of 1 million page visits each month and provides information about all of our work programmes, including free access to all NICE guidance and implementation tools to help people put our recommendations into practice. Between January 2013 and January 2014, there was a 78 per cent increase in users accessing our website using a mobile device.

The NICE website is currently being updated to make it easier to search for guidance, and is being optimised for desktop and mobile use. It also integrates recent digital developments such as NICE Pathways and the guidance web viewer.

Smartphone users can download the NICE Guidance 'app', which allows all our guidance to be seen at a glance. We have also produced NICE apps for the British National Formulary (BNF) and BNF for Children, which provide easy access to the latest prescribing information from the most widely used medicines information resources within the NHS. The BNF apps have been downloaded more than 230,000 times so far.

NICE employees spoke about our work at 130 conferences and events in the UK, Europe and beyond. Audiences ranged from industry to local government and the charity sector. In November 2013, we held an online web seminar on the integration of health and social care, and the role of evidence-based practice.

HEALTH AND SOCIAL CARE DIRECTORATE

This directorate was formed in advance of NICE's move into social care in April 2013 and produces guidance and advice for the health and social care sector. Last year, NICE contracted the Social Care Institute for Excellence (SCIE), and its partner organisations, to support the development, adoption and dissemination of our social care guidance and quality standards. This began in April 2013 and is known as the NICE Collaborating Centre for Social Care.

The directorate includes:

- The Health and Social Care Quality Programme. This team is responsible for producing a range of products to improve quality within the NHS. These include quality standards, which act as markers of high-quality, cost-effective patient care; the

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

- The NICE Accreditation Programme. This programme aims to raise the standard of guidance production by evaluating the processes used for guidance development, and to help users identify high-quality guidance.
- The NICE Fellows and Scholars Programme, which recognises the achievement and promise of NHS health professionals, contributes to their professional development, and fosters a growing network of health professionals linked to NICE who will help to improve the quality of care in their local areas.
- The Public Involvement Programme, which develops and supports opportunities to involve patients, carers and the public in NICE's work.
- The NICE Implementation team, which develops tools and commissioning guides to help people put our guidance into practice, ensures dissemination to target audiences, actively engages with the NHS and works nationally to encourage a supportive environment. Our eight-strong team of implementation consultants works across England to ensure we respond to requests from each region.
- The Health Technologies Adoption Programme, which facilitates the adoption of selected medical and diagnostic technologies across the NHS.
- NICE safe staffing guidelines, which is a new programme of work NICE is developing, after being asked by the Department of Health and NHS England to produce guidelines on safe staffing capacity and capability in the NHS.

Along with the Communications team, the directorate looks after NICE Pathways. More than 90 per cent of our guidance can now be viewed via NICE Pathways, which is an online tool that provides a fast and easy way to view NICE guidance and resources. To see all our guidance and how we develop our recommendations visit: www.nice.org.uk

EVIDENCE RESOURCES DIRECTORATE

The Evidence Resources directorate manages a suite of digital evidence services called NICE Evidence Services. The suite consists of the following resources:

- Evidence Search, which provides free open access to a unique index of selected and authoritative health and social care evidence-based information.
- Healthcare Database Advanced Search (HDAS), which provides access to an extensive set of journals and bibliographic databases. These are purchased by NICE on behalf of the NHS.
- Clinical Knowledge Summaries (CKS), which provide primary care practitioners with access to evidence-based guidance on over 300 key conditions presenting in primary care.
- BNF microsite, which provides open access to BNF content across the UK.
- UK DUETS, a database of 'evidence uncertainties' which provides research funders and researchers access to the 'known unknowns' in the evidence base.
- Bulletins, Alerts and Evidence Awareness services which help busy professionals keep up to date with important new evidence.

NICE Evidence Search displays guidance formally accredited by the NICE Accreditation Programme and houses the national QIPP (Quality, Improvement, Productivity and Prevention) database. Evidence Resources is also responsible for UK PharmaScan, a horizon-scanning database populated by manufacturers with information on new medicines in development.

Evidence Resources delivers a number of internally facing functions for NICE including:

- The Information Management and Technology team, which supports all NICE digital services, including the NICE website,

NICE Evidence Services, mobile technology, and further developing NICE Pathways.
- The Information Resources team, which provides access to quality information to support guidance development and other NICE programmes, identifying, selecting and appraising new evidence.
- The Engagement and Management team, which is responsible for all market and audience intelligence research activity conducted by NICE, and also commissions and manages contracts for online content available to the NHS across England through NICE Evidence Services.

BUSINESS PLANNING AND RESOURCES DIRECTORATE

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

NICE INTERNATIONAL

NICE International is dedicated to supporting other countries to use evidence-based decision making in healthcare policy. In 2013/14, we participated in 13 projects across several countries. These included:

- Developing and implementing evidence-based clinical pathways for stroke and lung disease as part of NICE's continued work to support rural health reforms in China.
- Working with the Vietnamese Ministry of Health to introduce health technology assessment in policy making and establish standards for improving stroke care across the country.
- The launch of the International Decision Support Initiative (jointly funded by the Bill & Melinda Gates Foundation and the UK Department for International Development) to support middle- and low-income governments in making resource allocation decisions for priority setting in healthcare.
- Providing technical assistance to the government of Kerala, India, in implementing quality standards for improving maternal care in hospitals.

In addition, NICE International has hosted 31 foreign delegations from 20 countries, including four ministerial delegations.

HOW WE WORK

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

We agree the topics for most of our programmes with the Department of Health and NHS England. Topics are selected on the basis of a number of factors, including the burden of disease, the impact on resources, and whether there is inappropriate variation in practice across the country. Our guidance is then created by independent advisory committees.

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

Since it was set up, the Citizens Council has provided valuable input on a range of issues. These include incentives to promote individual behaviour change, patient safety, harm reduction in smoking, and the aspects of benefit, cost and need that NICE should take into account when developing social care guidance.

About NICE

THE BOARD

The Board's membership in 2013/14 was:
Professor David Haslam CBE Chair
Dr Margaret Helliwell Vice Chair
Professor David Hunter Non-Executive Director
Professor Rona McCandlish Non-Executive Director
Andrew McKeon Non-Executive Director
Linda Seymour Non-Executive Director
Jonathan Tross CB Non-Executive Director
Bill Mumford[1] Non-Executive Director
Professor Finbarr Martin[1] Non-Executive Director
Sir Andrew Dillon Chief Executive
Professor Gillian Leng CBE Deputy Chief Executive and Health and Social Care Director
Professor Carole Longson Health Technology Evaluation Centre Director
Ben Bennett Business Planning and Resources Director

[1] Appointed 1/8/2013

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

The committee provides an independent and objective review of arrangements for internal control within NICE, including risk management. The members in 2013/14 were:
Jonathan Tross CB* Non-Executive Director
Professor David Hunter Non-Executive Director
Professor Rona McCandlish Non-Executive Director
Bill Mumford[1] Non-Executive Director

* Chair of the Committee
[1] Appointed 1/8/2013

HUMAN RESOURCES AND CLINICAL REVALIDATION COMMITTEE

The committee agrees, monitors and reviews the implementation of NICE's human resources strategies and policies, and the medical revalidation policy. The members in 2013/14 were:
Linda Seymour* Non-Executive Director
Dr Margaret Helliwell Non-Executive Director
Professor Finbarr Martin[1] Non-Executive Director
Professor Rona McCandlish Non-Executive Director
Ben Bennett Business Planning and Resources Director

* Chair of the Committee
[1] Appointed 1/8/2013

REMUNERATION AND TERMS OF SERVICE COMMITTEE

The committee sets remuneration levels and terms of service for senior staff at NICE, in line with NHS practice. Members in 2013/14 were:
Professor David Haslam CBE Chair
Dr Margaret Helliwell Non-Executive Director
Andrew McKeon Non-Executive Director
Jonathan Tross CB Non-Executive Director

SENIOR MANAGEMENT TEAM

The members of the Senior Management Team in 2013/14 were:
Sir Andrew Dillon Chief Executive
Professor Gillian Leng CBE Deputy Chief Executive and Health and Social Care Director
Professor Mark Baker Centre for Clinical Practice Director
Ben Bennett Business Planning and Resources Director
Jane Gizbert Communications Director
Professor Mike Kelly Public Health Centre Director
Professor Carole Longson Health Technology Evaluation Centre Director
Alexia Tonnel Evidence Resources Director

INDEPENDENT ADVISORY COMMITTEES

Membership of these committees includes health professionals working in the NHS and people who are familiar with the issues affecting patients and carers. They seek the views of organisations that represent patients, carers, and professional and industry groups, and their advice is independent of any vested interest. During 2013/14 they were:

- Technology Appraisal Committees, chaired by Dr Jane Adam, Dr Amanda Adler, Professor Gary McVeigh and Professor Andrew Stevens
- Highly Specialised Technologies Committee, chaired by Dr Peter Jackson
- Interventional Procedures Advisory Committee, chaired by Professor Bruce Campbell
- Diagnostics Advisory Committee, chaired by Professor Adrian Newland CBE
- Medical Technologies Advisory Committee, chaired by Professor Bruce Campbell
- Public Health Advisory Committees, chaired by Professor John Britton CBE, Professor Susan Jebb OBE, Professor Catherine Law OBE, Paul Lincoln OBE, Professor Alan Maryon-Davis, Dr Gina Radford
- Local Government Reference Group, chaired by Philip Woodward
- Safe Staffing Advisory Committee, chaired by Miles Scott
- Clinical Guidelines Rapid Update Committee, chaired by Professor Susan Bewley and Professor Damien Longson
- Clinical Commissioning Group Outcomes Indicator Set, chaired by Professor Danny Keenan
- Quality Standards Advisory Committees, chaired by Dr Bee Wee, Dr Hugh McIntyre, Professor Damien Longson and Dr Michael Rudolf
- Accreditation Advisory Committee, chaired by Professor Martin Underwood
- Primary Care Quality and Outcomes Framework Indicator Advisory Committee, chaired by Dr Colin Hunter.

INDEPENDENT ACADEMIC CENTRES AND INFORMATION-PROVIDING ORGANISATIONS

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

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

We also commission independent academic centres to review the published evidence when developing public health guidance. The Centre for Public Health in 2013/14 worked with the following organisations:

- Centre for Public Health, Liverpool John Moores University
- London School of Hygiene and Tropical Medicine at the University of London
- Centre for Reviews and Dissemination, University of York
- University College, London
- Cardiff University
- York Health Economics Consortium
- UK Centre for Tobacco Control Studies, University of Nottingham
- University of Oxford
- Health Economic Research Group, Brunel University
- School of Health and Related Research (ScHARR), University of Sheffield

- British Columbia Centre for Excellence for Women's Health
- Matrix Evidence
- Bazian Ltd
- National Heart Forum
- University of Cambridge
- Institute for Employment Studies
- Erasmus University, Rotterdam
- LSE Enterprise Ltd.

REVIEW BODY FOR INTERVENTIONAL PROCEDURES

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

NATIONAL COLLABORATING CENTRES

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

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

SOCIAL CARE COLLABORATING CENTRE

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

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

Management commentary: strategic and directors' report

CURRENT AND FUTURE DEVELOPMENTS

The Health and Social Care Act 2012 established NICE as a non-departmental public body (NDPB) on 1 April 2013. In addition to its role in providing guidance to the NHS and the public health community, the organisation's remit now includes social care. This important and welcome addition to NICE's portfolio, along with the transfer of the leadership of public health to local authorities, extends the organisation's relationship with local government as well as introducing NICE to the broader social care system.

As well as the social care programme, several other new programmes and outputs were launched during 2013/14.

The Health Technologies Adoption Programme (HTAP) began work at NICE on 1 May 2013 with the integration of the NHS Technology Adoption Centre (NTAC), which was previously hosted by Central Manchester NHS Foundation Trust. HTAP provides a systematic approach to the adoption by the NHS of new technologies such as diagnostic and monitoring devices, surgical implants and other technologies that improve the care given to patients.

During February 2014, NICE published its first set of Medtech Innovation Briefings, which provide a description of a device or diagnostic technology, including its likely place in therapy, the costs of using the technology and a critical review of the relevant published evidence. It is expected that up to 40 briefings will be produced each year when the programme is running at capacity.

During 2013/14 NICE has been developing its Highly Specialised Technology Evaluation programme, which will provide guidance and recommendations on the use of new and existing highly specialised medicines and treatments within the NHS in England. The first guidance from this new programme is expected in July 2014.

In 2014/15, as well as delivering the existing range of guidance, standards and indicators, NICE will launch its new programme of guidance on safe staffing, beginning with recommendations for the adult acute setting and the first of a series of accredited staffing tools. NICE will also be implementing changes to its methods for assessing the value of new drugs and extending its support for the medical devices and diagnostics industries.

In addition, more 'return on investment' tools will be produced in 2014/15, in conjunction with Public Health England, to help local government make the right choices as it invests its new public health budgets.

These increases in activity will need to be funded from within a reducing resource base. As part of the government's drive to reduce public spending, NICE's recurrent Administration grant-in-aid funding has fallen by 3.5% (£2.3 million) to £55.4 million in 2014/15. Programme grant-in-aid funding remains the same (£8.9 million). See the Financial Overview section on page 13 for further details.

Information on NICE's objectives for 2013/14 and our strategic plans can be found in the business plan, available from our website (www.nice.org.uk/aboutnice).

IMPACT OF THE HEALTH AND SOCIAL CARE ACT 2012

As a consequence of the Health and Social Care Act 2012, from 1 April 2013 NICE changed from being a special health authority to be an NDPB, placing the organisation on

a stronger statutory footing. The Act set out our responsibilities from April 2013 and authorised NICE's move into social care. To recognise this, our name changed from the National Institute for Health and Clinical Excellence to the National Institute for Health and Care Excellence on 1 April 2013.

The change in status was effectively the dissolution of NICE as a special health authority and the creation of a new NDPB. All employees were given notice of their transfer into the new body under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) with their current responsibilities and terms of service, including their pension arrangements, intact.

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

As an NDPB, NICE's funding remains largely unchanged, receiving the majority of its funding from the Department of Health via grant-in-aid allocations. All of the organisation's policies and procedures, including Standing Orders and Standing Financial Instructions, have been adopted by the new body following minor changes to reflect the new status.

From 1 April 2013, a new Board was established to govern NICE as an NDPB. In the run-up to the change in status, a shadow Board was established. The shadow Board consisted of a newly appointed shadow Chair (Professor David Haslam, who replaced Professor Sir Michael Rawlins as Chair from April 2013), and 6 of the existing non-executive directors whose terms of office extended beyond April 2013. Two new non-executive directors were appointed midway through the year.

The shadow Board held two meetings in 2012/13 to consider and agree arrangements for the management of the new body. In April 2013 the new Board ratified the decisions taken in these shadow Board meetings.

FINANCIAL OVERVIEW

Total net expenditure for 2013/14 was £60.8 million, leaving an underspend of £6.4 million against a total revenue resource limit of £67.2 million. Table 1 on page 14 summarises the financial outturn.

HOW IS NICE FUNDED?

NICE's total revenue budget for 2013/14 was £67.2 million. This comprised:

- **£57.6 million Administration grant-in-aid funding.** Of this, £54.6 million was recurrent baseline funding (reduced by £0.3 million from 2012/13). However, a further £2.8 million recurrent funding was added to NICE's budget in 2013/14 to fund the new social care guidance and quality standards programme. The grant-in-aid-funding also includes non-recurrent funding of £0.2 million to part-fund the cost of developing a Children's Attachment clinical guideline.
- **£8.9 million Programme grant-in-aid funding.** This is ring-fenced funding to purchase and distribute the British National Formulary (BNF) on behalf of the NHS (both in print and digital versions) and to support the Medical Technology Evaluation Programme, in particular the cost of the External Assessment Centres.
- **£0.7 million ring-fenced depreciation limit.** This is non-cash funding, unchanged from previous years.
- The £7.5 million funding that NICE received in 2012/13 for hosting NCAS for one year is no longer required by NICE, hence the total revenue resource limit fell in 2013/14.

In addition to the revenue resource limit, NICE's capital resource limit was £1.5 million.

Table 1: Net expenditure compared with revenue resource limit

2013/14 Financial outturn	Revenue resource limit £m	Net expenditure £m	Variance £m
Administration	57.6	51.9	(5.7)
Programme	8.9	8.2	(0.7)
Depreciation	0.7	0.7	0
Total Comprehensive Expenditure for the year ended 31 March 2014	67.2	60.8	(6.4)

2012/13 Financial outturn	Revenue resource limit £m	Net expenditure £m	Variance £m
Administration	54.9	49.4	(5.5)
Programme	8.9	9	0.1
Depreciation	0.7	0.5	(0.2)
NCAS (2012/13 only)	7.5	6	(1.5)
Total Comprehensive Expenditure for the year ended 31 March 2013	72	64.9	(7.1)

The total amount of cash available to be drawn down from the Department of Health during 2013/14 was £68 million (made up of Administration funding (£57.6 million), Programme funding (£8.9 million) and Capital funding (£1.5 million), as described above.

The actual amount of funding drawn down by NICE in 2013/14 was £64.9 million. This was £3.1 million lower than the amount available because of underspends on the newer activity not running at capacity, vacancies across the organisation and savings released through planning for funding reductions in future years.

In addition to the funding received from the Department of Health, NICE also received £7.8 million operating income from other sources, as follows:

- £2.4 million was received from Health Education England to fund national core content (such as journals and databases) on the NICE Evidence Search website for use by NHS employees. Prior to 2013/14, this funding was received from the Strategic Health Authorities Library Leads (£1.9 million received in 2012/13)
- £2.1 million was received from the devolved administrations and other government departments to contribute to the cost of producing NICE guidance and publication of the British National Formulary
- Trading activities such as NICE International and the Scientific Advice programme generated £2.1 million gross income and receipts
- NHS England provided £0.7 million funding for the Health Technology Adoption Programme and developing Medical Innovation Briefings
- £0.5 million was received from other sources, including recharges for staff seconded to external organisations.

Figure 1 on page 15 shows the breakdown of income received.

HOW THE FUNDING WAS USED

The net expenditure for NICE in 2013/14 was £60.8 million (£64.9 million in 2012/13, inclusive of NCAS), which resulted in an underspend of £6.4 million against a total revenue resource limit of £67.2 million (see Table 1 on page 14).

The £6.4 million underspend by NICE in 2013/14 was caused by a mixture of vacancies throughout the year, savings generated through renegotiation of contracts, general caution exercised by the Board in not committing to new recurrent expenditure, and savings programmes in preparation for reductions to its grant-in-aid budget in future years.

At 31 March 2014 there were 68 vacant posts, although many of the business-critical posts have been covered by temporary/agency staff. Prior to 2013/14 NICE, like most other bodies in the public sector, was subject to advertising restrictions and having to recruit from approved recruitment pools while the NHS was undergoing a significant reorganisation.

The average number of whole-time equivalent (wte) employees within NICE during 2013/14 was 560, compared with 525 in 2012/13 (see note 3, page 46, for a further breakdown of staff costs and numbers. It should be noted that the previous year comparative figures include 75 wte of NCAS staff, taking the total to 600 wte in 2012/13).

During 2013/14 NICE employed an average (per month) of 47 agency and seconded staff and incurred no expenditure on consultancy.

In December 2013, the Liverpool office (based at Vortex Court, Wavertree) was closed. NICE took over the lease for this office when the Medicines Prescribing Centre (formerly the National Prescribing Centre) joined NICE in 2011. However, the office has been underutilised since then and NICE took advantage of a break clause in the lease to

Figure 1: Funding and other operating income (£72.7 million)

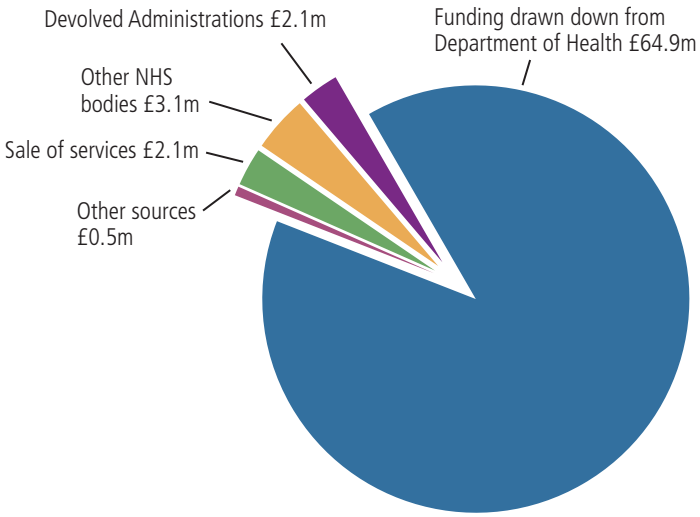


Figure 2: Gross expenditure breakdown by cost category (£68.5 million)

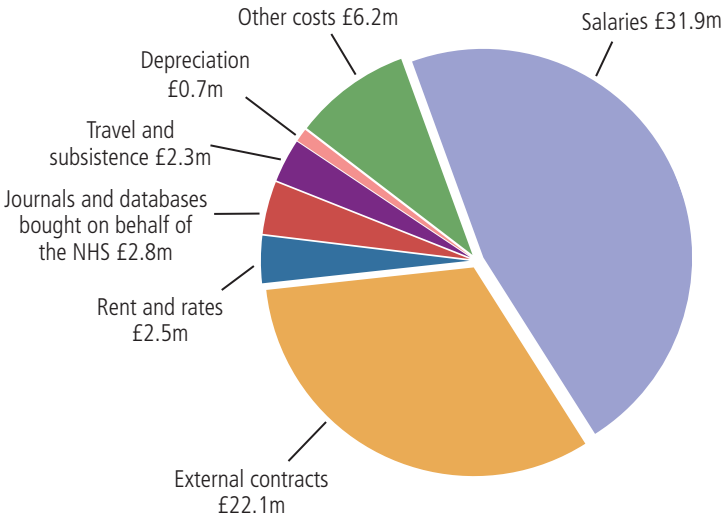
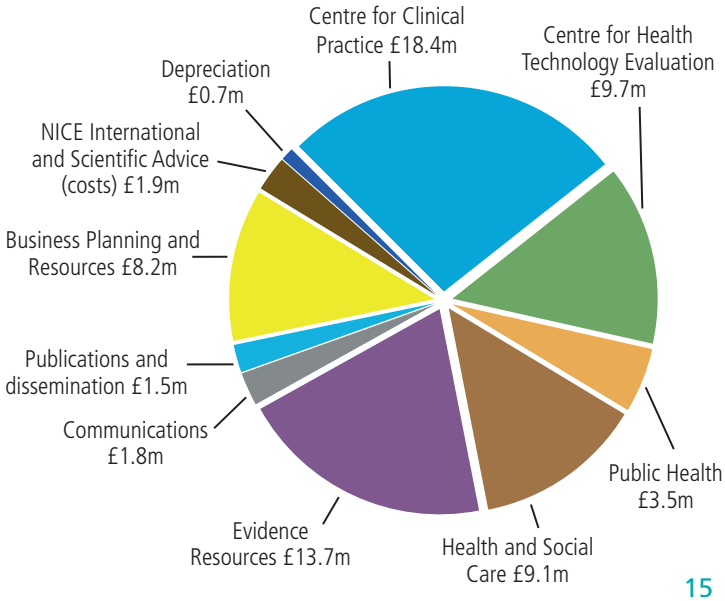


Figure 3: Gross expenditure by centre and directorate (£68.5 million)



end the tenancy. The closure of the Liverpool office affected 19 employees, the majority of whom are now either based in the Manchester office or work from home.

During 2013/14 there were 7 compulsory redundancies (3 cases during 2012/13). Of these, 4 related to the closure of the Liverpool office and the requirement to change location. The remaining redundancies related to restructures within the organisation where posts were removed from the structure and suitable alternative work could not be agreed between NICE and the employees. A breakdown of redundancy costs is shown in note 3.1 (page 48).

Vacancies within NICE have had a consequential impact on some non-pay costs during the year, particularly in the guidance-producing programmes. Additional spending restrictions on communications and marketing activity also reduced non-pay expenditure.

Figure 2 on page 15 shows a breakdown of how the money was spent in 2013/14. The main areas of expenditure were salaries and external contracts. Major external contracts were in place with:

- Four National Collaborating Centres (NCCs), which help us to produce clinical guidelines and from 1 April 2013 the NCC for Social Care
- The Royal Pharmaceutical Society of Great Britain and BMJ Publishing Group to publish the British National Formulary
- Four External Assessment Centres to assist in providing medical technologies guidance
- Content providers supplying resources (such as journals and databases) that are hosted on NICE Evidence Search on behalf of the NHS.

The organisation is structured into 5 guidance and advice-producing directorates and several corporate support functions. Figure 3 on page 15 shows how the gross expenditure is spread across NICE.

CAPITAL EXPENDITURE

The capital budget during 2013/14 was £1.5 million. Of this, £1 million was spent, the majority of which (£0.7 million) related to the refurbishment of the Manchester office which began in January 2014 and is expected to be completed by July 2014. The refurbishment is being carried out to make best use of the space available and enable a move to flexible working arrangements.

The improvements will allow more staff to work in the office, including staff previously based at the Liverpool office, and staff recruited to fill vacancies and posts created to deliver the new work programmes such as safe staffing guidance.

To maximise the utility of the office space, NICE expects to sublet part of the Manchester office to another suitable public body in 2014.

The remaining capital expenditure related to IT infrastructure and equipment (£0.2 million) and minor alterations to the London office (£0.1 million).

PENSIONS

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

HEALTH AND SAFETY

We are committed to adhering to the Health and Safety at Work Act 1974 and other related requirements to ensure that staff and visitors enjoy the benefits of a safe environment. There were six accidents reported during the year, which were risk assessed and appropriate action taken. There were no days lost due to an injury at work during 2013/14.

EMPLOYEE CONSULTATION

NICE is committed to consulting and communicating effectively with employees. NICE has policies in place to ensure that for all changes that affect the organisation there is

open, honest and consistent two-way consultation with UNISON and staff representatives. Information about proposed change, its implications and potential benefits are communicated clearly to all staff, who are encouraged to contribute their own ideas and to voice any concerns with their managers.

NICE also formally consults with those employees who are directly affected by change. Also, all policy development for employment policies is carried out in partnership with trade union representatives at NICE.

NICE believes that communication with employees is essential and all consultation and changes, including policies, are published on the intranet, and detail is provided to staff through the weekly NICE newsletter. Monthly staff meetings are held on both sites for all staff to attend. These are chaired by the Chief Executive to enable high levels of communication and consultation.

EQUALITY AND DIVERSITY

NICE is committed to equality of opportunity for both current and prospective employees and in the recruitment of committee and group members. Everyone who works for NICE, or applies to work at NICE, or applies to join a committee or group, is treated fairly and valued equally.

NICE has a single equality scheme covering all protected characteristics. NICE complies with legislation and statutory codes of practice that relate to equality and diversity. All workers are treated fairly and equally regardless of age, disability, race, religion or belief, gender, marriage or civil partnership, pregnancy and maternity, sexual orientation or gender reassignment.

To ensure equal opportunities for disabled employees NICE is committed to making reasonable adjustments to working conditions or to the physical working environment where this would help overcome the practical effects of a disability. NICE provides support to enable workers with a disability to participate fully in meetings and training courses. NICE also offers an interview to all disabled applicants who meet the essential shortlisting criteria for a post in accordance with the Employment Services '2 ticks' scheme, and makes reasonable adjustments to the recruitment process where requested and where practical.

All policies and change consultations are assessed through equality impact assessments, which are completed by the author, human resources and trade union representatives in partnership.

All employee data is collated and recorded and NICE ensures it is accurate and up to date in accordance with the Equality Act 2010. The equality data of the NICE workforce is reported on an annual basis within the NICE Equalities report, which can be found at www.nice.org.uk/aboutnice/howwework

Our commitment to equality and diversity is also found in the intranet resources available for all staff, which provide links to legislation, policy and useful guidance. NICE also runs an annual 'Dignity at work week', which promotes equality and diversity to staff by providing training and awareness events that include topics such as managing bullying and harassment at work and mental health awareness.

An analysis of employee gender within the positions of director, senior manager and employee is detailed in table 2.

Table 2: Gender by staff group

	Male %	Female %
Director	50	50
Senior Manager	54	46
Other staff	32	68

Table 3: Sustainable development – summary of performance

Activity		2013/14
Business travel including international air travel	Miles	3,038,088
	Expenditure (£)	1,238,384
Office estate energy	Consumption (kWh)	829,792
	Expenditure (£)	173,165
Office estate waste	Consumption (bags)	81,486
Printing	Paper (tonnes)	215
	Expenditure (£)	631,016

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

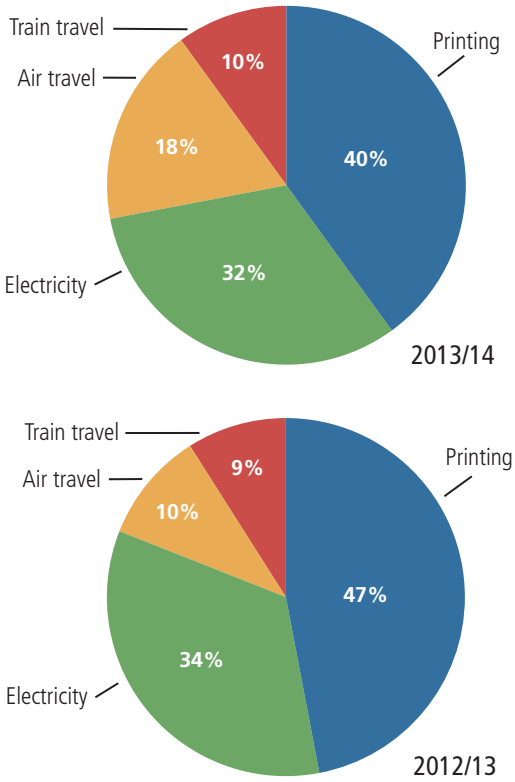


Table 4: Waste

	2013/14	2012/13
Non-recycled (kg)	0	34,720
Recycled (kg)	81,486	64,520
Total waste (kg)	81,486	99,240
Percentage recycled	100%	65%

Table 5: Estimated carbon emissions

	2013/14		2012/13	
Activity	**Outturn**	**Carbon tonnes**	Outturn	Carbon tonnes
Electricity (kWh)	829,792	506	1,153,270	703
Scope 2[1] total		**506**		703
Rail travel (miles)	1,664,701	156	1,897,092	175
Air travel (miles)	1,373,387	294	1,046,321	212
Printing (tonnes)	215	647	320	963
Scope 3[2] total		**1,097**		1,350
Total		**1,603**		2,053

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

SUSTAINABLE DEVELOPMENT

NICE continues to support and promote climate change issues across the London and Manchester offices. It is committed to reaching sustainability targets as stated in the 10:10 Agreement and the Greener Government Strategy. Monitoring continues in all areas where the carbon impact is most significant, with the aim to make reductions every year.

These include:

- Electricity/air conditioning usage
- Staff and non-staff business travel
- Office waste and recycling
- Printing the British National Formulary (BNF).

NICE continues to strive to reduce its carbon impact year on year and the closure of the Liverpool office has helped to reduce our

carbon footprint as we now operate from two sites instead of three.

All waste is now transferred offsite to be compressed and used to provide sustainable energy. Therefore NICE recycles 100 per cent of its waste.

Overall electricity usage was 28 per cent less than the previous year. This is mainly due to relocating the London office from premises in Holborn to sharing a building with the British Council near Whitehall from December 2012. The new office is smaller, requiring less heating and lighting, while a flexible working policy allows a desk-to-employee ratio of 8:10, which makes more efficient use of the space and equipment than the previous office. Energy usage in the Liverpool office was lower as it was vacated from December 2013.

There was a 12 per cent reduction in rail travel due to NICE making better use of videoconferencing and teleconferencing facilities across sites. However, air travel has increased by 31 per cent due to the expansion of work in the NICE International team.

NICE has internal targets to reduce the amount of printing as part of its digital dissemination strategy and has achieved a 33 per cent reduction in print-related carbon emissions in 2013/14. NICE prints the BNF for distribution to the NHS – it is anticipated that demand for the print version will reduce over time as electronic access is embedded.

NICE's sustainable development performance is summarised in tables 3–5 and figure 4.

- Financial information was not available for office estate waste as the cost is included in office cleaning and maintenance contracts, where the element is not differentiated.
- Financial information was not available for office estate water usage as the cost is included in the overall service charge. There are no other uses of finite resources where the use is material.
- NICE currently has no scope 1 carbon emissions, which are from sources owned by the organisation such as fleet vehicles.

FREEDOM OF INFORMATION

NICE has complied with its responsibilities to disclose information under the Freedom of Information Act, including charging for such information, where necessary, in accordance with Treasury guidance (Managing Public Money, Chapter 6).

SICKNESS ABSENCE

During the period January to December 2013 the percentage of days lost due to sickness was 1.7 per cent (2012: 1.7 per cent).

BETTER PAYMENT PRACTICE CODE – MEASURE OF COMPLIANCE

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

	Number	£000
Total non-NHS bills paid 2013/14	**5,509**	**44,240**
Total non-NHS bills paid within target	**5,318**	**43,581**
Percentage of non-NHS bills paid within target	**96.5%**	**98.5%**
Total NHS bills paid 2013/14	172	3,105
Total NHS bills paid within target	160	3,060
Percentage of NHS bills paid within target	93%	98.6%

The amount owed to trade creditors at 31 March 2014, in relation to the total billed through the year expressed as creditor days, is 5 days (13 days 2012/13).

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

As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, NICE must publish information about off-payroll engagements.

For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last longer than six months	
Number of existing engagements as of 31 March 2014	24
Of which the number that have existed	
for less than one year at the time of reporting	2
for between one and two years at the time of reporting	5
for between two and three years at the time of reporting	6
for between three and four years at the time of reporting	5
for four or more years at the time of reporting	6

During 2013/14 10 off-payroll engagements left NICE and 1 transferred to payroll. Assurance was received from all engagements.

All existing off-payroll engagements have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

For all new off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last longer than six months	
Number of new engagements, or those that reach six months in duration, between 1 April 2013 and 31 March 2014	4
Number of new engagements which include contractual clauses giving the (NHS body name) the right to request assurance in relation to income tax and National Insurance obligations	4
Number for whom assurance has been requested	4
Of which:	
assurance has been received	3
assurance has not been received	1
engagements terminated as a result of assurance not being received, or ended before assurance received	0

Of the 4 new off-payroll engagements during 2013/14, 1 has now left NICE and 1 has transferred to payroll. Assurance was received from both.

There are 8 posts, as of 31 March 2014, which meet the criteria of board members and/or senior officials with significant financial responsibility. None of these posts are filled by off-payroll engagements.

STATUTORY FRAMEWORK

The accounts for the year ending 31 March 2014 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with the Health and Social Care Act 2012 and in a format determined by the Department of Health with the approval of the Treasury.

The Health and Social Care Act 2012 resulted in the dissolution of NICE as a special health authority, followed by the creation of a new body – the National Institute for Health and Care Excellence (NICE) as a non-executive departmental body (NDPB). New legislation relevant to NICE includes Health and Social Care Act 2012 c7 and S.I. 2013/259.

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

Prior to the Health and Social Care Act 2012, NICE had been established as the National Institute for Clinical Excellence on 26 February 1999 as a special health authority to become operational on 1 April 1999.

On 1 April 2005 the National Institute for Health and Clinical Excellence was established, which incorporated the functions of the Health Development Agency, which had been disestablished on 31 March 2005. Founding legislation includes the National Health Services Act 1977 c49, S.I. 1999/220, S.I. 260 and S.I. 2005/497.

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

AUDITORS

The auditors carried out only standard audit work, and received no additional payments. The audit fee for 2013/14 was £52,000 and includes travel and subsistence costs.

The accounts have been audited by the Comptroller and Auditor General in accordance with the Health and Social Care Act 2012. The Audit Certificate can be found on pages 34 to 35.

The Comptroller and Auditor General is Sir Amyas C E Morse. His address is:

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

AUDIT ASSURANCE

As far as I am aware, there is no relevant audit information of which NICE's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that NICE's auditors are aware of that information.

Signed

Sir Andrew Dillon
Chief Executive and Accounting Officer

Dated 20 June 2014

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

Remuneration report

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

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

The information contained in the tables of the Remuneration Report has been audited. Information on NICE's remuneration policy and the membership of the Remuneration and Terms of Service Committee can be found on page 9 and has not been audited.

PERFORMANCE APPRAISAL

A personal objective-setting process that is aligned with the business plan is agreed with individuals each year and all staff below director level are subject to an annual performance appraisal. Directors take the lead on this process within the areas for which they are responsible. They are also themselves subject to performance review, in line with the Very Senior Managers' Pay Framework.

NICE is a designated body for the revalidation of medical staff and has implemented a robust appraisal and revalidation process for its medical workforce that complies with the guide for good medical practice and the General Medical Council's framework for medical appraisal and revalidation.

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

TERMS AND CONDITIONS: CHAIRS AND NON-EXECUTIVES

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

STATUTORY BASIS FOR APPOINTMENT

Chairs and non-executive members of non-departmental public bodies (NDPBs) hold a statutory office under the Health and Social Care Act 2012. Their appointment does not create any contract of service or contract for services between them and the Secretary of State for Health or between them and NICE.

EMPLOYMENT LAW

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

REAPPOINTMENTS

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

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

TERMINATION OF APPOINTMENT

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

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

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

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

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

REMUNERATION

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

CONFLICT OF INTEREST

NDPB boards are required to adopt the Cabinet Office Codes of Conduct, published in April 2011. The Codes require Chairs and Board members to declare, on appointment, any business interests, positions of authority in a charity or voluntary body in health and social care, and any connection with bodies contracting for NHS services. These must be entered into a register which is available to the public.

INDEMNITY

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

TERMS AND CONDITIONS: NICE EXECUTIVE

BASIS FOR APPOINTMENT

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

TERMINATION OF APPOINTMENT

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

SALARIES AND ALLOWANCES – SENIOR MANAGERS' REMUNERATION

		2013/14				2012/13			
Name	Title	Salary (bands of £5,000)	Expense payments (taxable) total to nearest £100	All pension-related benefits (bands of £2,500)*	Total (bands of £5,000)	Salary (bands of £5,000)	Expense payments (taxable) total to nearest £100	All pension-related benefits (bands of £2,500)*	Total (bands of £5,000)
Prof David Haslam CBE (1)	Chair	65 to 70	nil	nil	65 to 70	15 to 20	nil	nil	15 to 20
Prof Sir Michael Rawlins (2)	Chair	–	–	–	–	60 to 65	nil	nil	60 to 65
Dr Margaret Helliwell	Vice Chair	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Jonathan Tross CB	Non-Executive Director	10 to 15	nil	nil	10 to 15	10 to 15	nil	nil	10 to 15
Andrew McKeon (3)	Non-Executive Director	5 to 10	nil	nil	5 to 10	0 to 5	nil	nil	0 to 5
Prof David Hunter	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Prof Rona McCandlish	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Linda Seymour	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Prof Finbarr Martin (4)	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil	nil	nil
Bill Mumford (4)	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil	nil	nil
Mercy Jeyasingham MBE (5)	Non-Executive Director	–	–	–	–	5 to 10	nil	nil	5 to 10
Prof Helen Roberts (5)	Non-Executive Director	–	–	–	–	5 to 10	nil	nil	5 to 10
Jenny Griffiths OBE (5)	Non-Executive Director	–	–	–	–	5 to 10	nil	nil	5 to 10
Prof Patrick Morrison (5)	Non-Executive Director	–	–	–	–	5 to 10	nil	nil	5 to 10
Sir Andrew Dillon	Chief Executive	185 to 190	1	nil	185 to 190	180 to 185	nil	nil	180 to 185
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	175 to 180	nil	25 to 27.5	200 to 205	170 to 175	nil	nil	170 to 175
Prof Carole Longson	Health Technology Evaluation Centre Director	125 to 130	nil	30 to 32.5	155 to 160	125 to 130	nil	15 to 17.5	140 to 145
Prof Michael Kelly	Public Health Director	105 to 110	nil	15 to 17.5	125 to 130	105 to 110	nil	nil	105 to 110
Ben Bennett	Business Planning and Resources Director	115 to 120	26	nil	120 to 125	115 to 120	nil	nil	115 to 120
Jane Gizbert	Communications Director	105 to 110	nil	5 to 7.5	110 to 115	105 to 110	nil	27.5 to 30	135 to 140
Alexia Tonnel	Evidence Resources Director	115 to 120	nil	27.5 to 30	145 to 150	115 to 120	nil	37.5 to 40	150 to 155
Prof Mark Baker	Clinical Practice Centre Director	115 to 120	nil	nil	115 to 120	115 to 120	nil	nil	115 to 120

* All benefits in year from participating in pension schemes but excluding employee contributions. These are the aggregate input amounts, calculated using the method set out in section 229 of the Finance Act 2004(1) and using the indices directed by the Department of Health.

(1) Appointed Chair 01/04/2013; Shadow Board member at end of 2012/13 (2) Chair until 31/3/2013 (3) Unpaid Non-Executive Director from 01/04/2012 to 31/12/2012 (4) Appointed Non-Executive Director from 01/08/2013 (5) Left 31/3/2013

PENSION BENEFITS – SENIOR MANAGEMENT

Name	Title	Real increase/ (decrease) in pension at 60 (bands of £2,500)	Real increase/ (decrease) in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2014 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2014 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2013	Cash Equivalent Transfer Value at 31 March 2014	Real increase in Cash Equivalent Transfer Value
Sir Andrew Dillon	Chief Executive	(0 to 2.5)	(5 to 7.5)	85 to 90	255 to 260	1,947	1,947	0
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	0 to 2.5	2.5 to 5	45 to 50	145 to 150	905	974	49
Prof Carole Longson	Health Technology Evaluation Centre Director	0 to 2.5	2.5 to 5	20 to 25	60 to 65	357	401	36
Prof Michael Kelly (1)	Public Health Director	0 to 2.5	2 to 2.5	50 to 55	150 to 155	0	0	0
Ben Bennett	Business Planning and Resources Director	(0 to 2.5)	(0 to 2.5)	40 to 45	130 to 135	815	856	23
Jane Gizbert	Communications Director	(0 to 2.5)	20 to 22.5	5 to 10	20 to 25	113	159	44
Alexia Tonnel	Evidence Resources Director	0 to 2.5	7.5 to 10	0 to 5	5 to 10	19	44	24
Prof Mark Baker	Clinical Practice Centre Director	nil	nil	nil	nil	nil	nil	nil

(1) There is no CETV (cash equivalent transfer value) for those members who are over the age of 60 (1995 Section of the NHS Pension Scheme) and members over 65 (2008 Section)

HIGHEST PAID DIRECTOR

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

The banded remuneration of the highest-paid director in NICE in the financial year 2013/14 was £185k–190k (2012/13: £180k–£185k). This was 4.6 times (2012/13: 4.5) the median remuneration of the workforce, which was £40,558 (2012/13: £40,157). In 2013/14, no employees (2012/13: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8k to £175k (2012/13, £8k–£174k).

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

Other information about pay includes:

- The highest paid director remuneration is higher in 2013/14 than in 2012/13. Senior managers received a 1 per cent inflationary pay increase with no bonuses being made during 2013/14.
- Median pay is higher in 2013/14 than in 2012/13. This is due to incremental increases in pay for those staff who have not reached the top of their pay band.
- All staff received a 1 per cent pay increase in relation to inflationary increases.
- Staff numbers have decreased from 600 in 2012/13 to 560 in 2013/14; the composition of permanent and other staff can be seen in note 3 of the accounts. However it should be noted that the 2012/13 figure includes NCAS staff and without this figure the total is 525.

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the Pension Scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the Scheme. A CETV is a payment made by a Pension Scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

REAL INCREASE IN CETV

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

Signed
Sir Andrew Dillon
Chief Executive and Accounting Officer
20 June 2014

ACCOUNTS 2013/14

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

Under the Health and Social Care Act 2012 the Secretary of State for Health with the approval of HM Treasury has directed the National Institute for Health and Care Excellence (NICE) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of NICE's state of affairs at the year end and of its net expenditure, changes in taxpayer's equity and cash flows for the financial year.

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

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

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

Signed

Sir Andrew Dillon
Accounting Officer
20 June 2014

Governance statement

SCOPE OF RESPONSIBILITY

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

THE GOVERNANCE FRAMEWORK OF THE ORGANISATION

NICE was established as the National Institute of Clinical Excellence on 26 February 1999 as a special health authority to become operational on 1 April 1999.

The Health and Social Care Act 2012 re-established NICE as a national advisory body with the status of a non-departmental public body (NDPB). It works closely with the Department of Health (its sponsor), and with the Welsh Assembly Government under a Service Level Agreement, and arrangements are in place for regular performance monitoring and review.

The primary statutory functions of NICE are to provide guidance and support to providers and commissioners to help them improve outcomes for people using the NHS, public health and social care services. NICE supports the health and care system by defining quality in the NHS, public health and social care sectors and helps to promote the integration of health and social care.

NICE does this by producing robust evidence-based guidance and advice for health, public health and social care practitioners; developing quality standards for those providing and commissioning health, public health and social care services; and providing information services for commissioners, practitioners and managers across health and social care.

The management structure of NICE consists of a Board of 9 non-executive and 4 executive members with a balance of skills and experience appropriate to its responsibilities and provides leadership and strategic direction for the organisation. The Board is collectively accountable, through the Chair, to the Secretary of State for Health for the strategic direction of NICE, for ensuring a sound system of internal control through its governance structures, and for putting in place arrangements for securing assurance about the effectiveness of that system.

The non-executive directors are appointed by the Commissioner for Public Appointments, and in 2013/14 all executive and non-executive directors had an annual review of their performance. The outcome demonstrated an effective Board, performing well.

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

The Board held a two-day meeting in October 2013 where it agreed key activities to support the strategic objectives for the following three years. These included: consideration of NICE's role in the value-based assessment of technology appraisals, strengthening strategic partnerships with health and social care organisations, aligning NICE's implementation

resources with the new NHS and social care architecture, influencing the new public health landscape and developing new approaches to describing best practice in managing multi-morbidity in clinical guidelines.

The Department of Health regularly assesses the extent to which NICE has met its statutory obligations at quarterly monitoring meetings and they have been broadly satisfied with the progress made. Management actions to support the attainment of NICE's policies, aims and objectives while safeguarding public funds are discharged by the Senior Management Team.

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

- developing strategic options for the Board's consideration and approval
- preparing an annual business plan
- delivering the objectives set out in the business plan through delegation of specific responsibilities and active business management
- preparing and operating a set of policies and procedures which have the effect of both motivating and realising the potential of NICE staff
- designing and operating arrangements to secure the proper and effective control of NICE's resources
- constructing effective relationships with partner organisations at a national level, in health and social care and with the life sciences and social care industries.

The Board has considered the Francis Report and received a presentation from Robert Francis QC at its strategy meeting in August 2013. NICE has worked with the Department of Health to develop an implementation plan for standards-related recommendations and this was finalised in November. The plan includes embedding the Francis concept of enhanced and developmental standards into NICE quality standards. NICE is also developing guidance on safe staffing levels following a commission from the Department of Health, and an advisory committee has been established with the first guideline due in July 2014. The guidelines will be supported by a compliance-assessed staffing tool to assist implementation.

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

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

The Audit and Risk Committee meets four times a year and has received reports from Internal Audit in a range of areas. It has drawn on positive reports on balanced budget and budgetary control, social care procurement, financial management, key financial controls, digital strategy, the assurance framework, and social care guidance development.

The overall opinion of the Audit and Risk Committee based on the audit work and related papers is that the control and governance processes are well designed and effectively implemented, and may be relied upon by the Board.

In June 2014 the Board considered an Audit and Risk Committee annual report and concluded that the arrangements were well structured and effective.

The Human Resources and Clinical Revalidation Committee met once during the year to monitor the implementation of HR

strategies agreed by the Senior Management Team and the Board, and to ensure there is consistency and coherence in the strategic management of HR matters. This committee has now been disestablished. The Senior Management Team will provide oversight and scrutiny of human resources functions. Attendance at all committees was good and details are on our website (www.nice.org.uk/aboutnice/whoweare/board/board.jsp).

NICE does not have a separate nominations committee. However, its functions are carried out by the Remuneration Committee. These arrangements are considered appropriate for a small NDPB like NICE.

NICE has replied to a request from the Department of Health for information on the extent to which it has responded to the recommendations of the Macpherson Review. The response outlines current approaches at NICE to model quality assurance and proposes further actions to ensure the robustness of our quality assurance procedures. Specific sections on the quality assurance of health economic models will be included in 'Developing NICE guidelines: the manual' and in the process and methods manuals for the technology appraisals, diagnostics and medical technologies programmes.

The Department of Health has created an Analytical Modelling Oversight Committee (AMOC) to oversee implementation of the Macpherson recommendations, establish relevant processes and manage risks. NICE will be involved in the work of AMOC where appropriate and/or will be informed of the AMOC's decisions and any further actions that may need to be undertaken.

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

RISK ASSESSMENT

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

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

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

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

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

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

- changes taking place in the new health and social care system cause NICE to lose visibility and impact
- new programmes added to NICE's portfolio strain the available corporate management capacity
- NICE fails to engage sufficiently with social care audiences, including local government, compromising the impact of our new social care guidance and standards
- NICE guidance, standards and evidence services and the way they are made available are not sensitive enough to changes in the needs of users and so their utility and value for money reduces
- NICE's position as the preferred provider of guidance and standards is compromised by the development of new analytic capacity in other national agencies in health and social care, or decisions taken by the Department of Health or NHS England to reduce or cancel existing commissions
- the reductions in NICE's funding from the Department of Health may present significant challenges in achieving financial targets without seriously compromising the quality and volume of planned outputs.

INFORMATION GOVERNANCE

The work that government has done on best practice to ensure the security of personal data held by government departments and arm's length bodies has been reported to the Audit and Risk Committee and the Board. NICE does not handle sensitive personal data in medical records as part of its general functions so the risk to patient information is low. Where other sensitive personal information is held it is not usual for it to be transferred on portable media and it is closely controlled within the systems that process it.

NICE implements guidance from the Department of Health on information governance on a risk-assessed basis, which is reported to the Audit and Risk Committee and Board. Board-level responsibility for the management of information risk rests with the Business Planning and Resources Director, who is the Senior Information Risk Owner. All significant information risks are included in the risk register and reported to the Senior Management Team and Audit and Risk Committee.

Policies and procedures for managing the security of personal data are reviewed in light of guidance from the Department of Health and equivalent standards are applied to underpin information governance. Staff have been reminded of what to be alert for in the handling of sensitive personal data as defined by the Department of Health and training is provided as required.

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

An information risk assessment is completed each year and reported to the Audit and Risk Committee for review.

The Audit and Risk Committee considered one incident report relating to disclosure of other confidential information. This related to a laptop containing commercial in confidence information from two manufacturers which was stolen from the home of an employee of an external Technology Assessment Group. The laptop was password protected but not encrypted. Remedial action was promptly taken to strengthen controls and the residual risk remains low.

THE RISK AND CONTROL FRAMEWORK

I have responsibility for maintaining a sound system of internal control that supports the

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

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

Where appropriate, local risk registers are maintained within programmes and significant issues escalated through the reporting process for Senior Management Team and Audit and Risk Committee scrutiny. A complementary risk assessment exercise was carried out to establish the Board's assurance framework and to identify strategic risks to NICE. This included a review of NICE's systems, quality standards, policies and the digital strategy.

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

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

The system of internal control has been in place at NICE for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. The NICE Assurance Framework includes the identification and documentation of strategic risks that are drawn from the business planning processes. These are monitored through Senior Management Team meetings, the Audit and Risk Committee and by the Board.

SIGNIFICANT ISSUES

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

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

As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of corporate governance and internal control. My review is informed by the work of the internal auditors, the managers who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter.

I have been advised on the implications of the result of my review by the Board and the Audit and Risk Committee, and a plan to ensure continuous improvement of the systems is in place.

The effectiveness of the system of internal control has been subject to review by our internal auditors who, in liaison with the external auditors, plan and carry out a programme of work that is approved by the Audit and Risk Committee to review the

design and operation of the systems of corporate governance and internal financial control. Where areas for improvement have been identified these are reported to the Audit and Risk Committee and an action plan agreed with management to implement the recommendations agreed.

In 2013/14 Internal Audit completed nine assessments and one advisory report. These included assessments on achieving a balanced budget and budgetary control, social care procurement, key financial controls and financial management. All of these assessments provided substantial assurance that the controls NICE relies on to manage risk are suitably designed, consistently applied and effective.

In July 2013 NICE agreed a Service Level Agreement with the Department of Health for the provision of internal audit services. Additional reports were completed which concluded that assurances on key financial controls, the assurance framework and financial planning were strong, and assurances on social care guidance development and the digital strategy were satisfactory.

The Audit and Risk Committee considered one case of fraud related to travel bookings for which a member of staff was prosecuted. Internal Audit has reviewed the travel bookings system and concluded it was weak. Remedial action has been taken to review the controls in place to ensure the risks associated with the system are minimised.

Control measures are in place to ensure that NICE's obligations under equality, diversity and human rights legislation are complied with and these have been reported to, and approved by, the Board. The Head of Internal Audit has concluded that they can provide moderate assurance that NICE has adequate and effective systems of control, governance and risk management in place.

On the basis of all of the above I am satisfied that the system of corporate governance and internal control are operating effectively.

Sir Andrew Dillon
Chief Executive and Accounting Officer
20 June 2014

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

I certify that I have audited the financial statements of the National Institute for Health and Care Excellence for the year ended 31 March 2014 under the Health and Social Care Act 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE BOARD, ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2012. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the National Institute for Health and Care Excellence's affairs as

at 31 March 2014 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2012 and Secretary of State directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2012; and
- the information given in the Strategic and Directors' 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

I have no observations to make on these financial statements.

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

Dated: June 2014

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2013/14 Total £000	*For information* 2012/13 Total £000
Administration costs			
Staff costs (before recoveries of outward secondments)	3	**29,513**	33,345
Other administration costs	4	**24,225**	25,879
Loss on transfer by absorption	4	**3**	0
Operating income	6	**(1,232)**	(2,726)
Gain on transfer by absorption	6		(557)
Programme costs			
Staff costs (before recoveries of outward secondments)	3	**2,388**	1,503
Programme costs	5	**12,420**	12,054
Operating income	6	**(6,563)**	(4,543)
Net Comprehensive Expenditure for the year ended 31 March 2014		**60,754**	64,955

For the year 1 April 2012 to 31 March 2013, NICE hosted the National Clinical Assessment Service (NCAS) before its transfer on 1 April 2013 to the NHS Litigation Authority. The note above details the transactions for NICE and NCAS for the year 2012/13. The 2013/14 figures alongside are those for NICE only.

On 1 May 2013 the National Technology Adoption Centre (NTAC) transferred to NICE from the Central Manchester University Hospitals Foundation Trust. Funding for NTAC, now called the Health Technology Adoption Programme, will continue to be received from NHS England.

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Notes	31 March 2014 £000	*For information* 31 March 2013 £000
Non-current assets			
Property, plant and equipment	7	**3,091**	2,910
Intangible assets	7	**110**	332
Total non-current assets		**3,201**	3,242
Current assets			
Trade and other receivables	8	**1,770**	1,917
Other current assets	8	**3,325**	2,433
Cash and cash equivalents	9	**3,026**	490
Total current assets		**8,121**	4,840
Total assets		**11,322**	8,082
Current liabilities			
Trade and other payables	10	**(3,493)**	(4,197)
Provisions for liabilities and charges		**(489)**	0
Total current liabilities		**(3,982)**	(4,197)
Non-current assets less net current liabilities		**7,340**	3,885
Non-current liabilities			
Provisions for liabilities and charges	11	**(1,082)**	(1,781)
Total non-current liabilities		**(1,082)**	(1,781)
Assets less liabilities		**6,258**	2,104
Taxpayers' equity			
General fund		**6,258**	2,037
Revaluation reserve		**0**	67
		6,258	2,104

NICE had, for the year 1 April 2012 to 31 March 2013, hosted the National Clinical Assessment Service (NCAS) before its transfer on 1 April 2013 to the NHS Litigation Authority. The balances for the year 2012/13 include both NICE and NCAS. The 2013/14 figures alongside are those for NICE only. The movement in the current year of the Statement of Financial Position relating to NCAS can be found in note 20.

On 1 May 2013 the National Technology Adoption Centre (NTAC) transferred to NICE from the Central Manchester University Hospitals Foundation Trust (CMUHFT). No assets or liabilities transferred from CMUHFT; however, NTAC's retained cash surplus was transferred to NICE by the Department of Health through grant-in-aid.

The financial statements were approved by the Board on 18 June 2014 and signed by

Sir Andrew Dillon, Accounting Officer 20 June 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2013/14 £000	*For information* 2012/13 £000
Cash flows from operating activities			
Net surplus		**(60,754)**	(64,955)
Adjustments for non-cash transactions	4,5	**833**	756
(Increase)/Decrease in trade and other receivables	8	**(745)**	918
Adjustment for transfer of receivables of NCAS passing through the Statement of Comprehensive Net Expenditure	20.1	**(488)**	
Increase/(Decrease) in trade and other payables	10	**(704)**	1,840
Adjustment for transfer of payables of NCAS	20.1	**778**	
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	10	**269**	(288)
Use of provisions	11	**(306)**	(632)
Net cash outflow from operating activities		**(61,117)**	(62,361)
Cash flows from investing activities			
Purchase of property, plant and equipment	7,10	**(1,229)**	(1,421)
Purchase of intangible assets	7	**(23)**	(118)
Proceeds of disposal of property, plant and equipment		**0**	3
Proceeds of disposal of intangibles		**0**	0
Net cash outflow from investing activities		**(1,252)**	(1,536)
Cash flows from financing activities			
Net grant-in-aid		**64,905**	64,000
Net financing		**2,536**	103
Net increase/(decrease) in cash equivalents in the period		**2,536**	103
Cash and cash equivalents at the beginning of the period*	9	**490**	387
Cash and cash equivalents at the end of the period	9	**3,026**	490

* The 2013/14 opening balance is the cash that was transferred in from NICE (special health authority) to NICE (non-departmental public body, NDPB).

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2014

	General Fund [1] £000	Revaluation [2] Reserve £000	Total reserves £000
For information			
Balance at 1 April 2012	2,991	68	3,059
Changes in taxpayers' equity for 2012/13			
Funding from parent	64,000		64,000
Transfers between reserves	1	(1)	0
Comprehensive expenditure for the year	(64,955)		(64,955)
Movements in reserves	0	0	0
Balance transferred in on commencement at 1 April 2013	**2,037**	**67**	**2,104**
Changes in taxpayers' equity for 2013/14			
Transfer of NCAS to NHSLA	3		3
Grant-in-aid funding from parent	64,905		64,905
Transfers between reserves	67	(67)	0
Comprehensive expenditure for the year	(60,754)		(60,754)
Movements in reserves	0	0	0
Balance at 31 March 2014	**6,258**	**0**	**6,258**

[1] The General Fund represents the net assets vested in NICE (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities and grant-in-aid funding provided. It also includes surpluses generated from commercial activity. Further information on these activities is described in note 2.

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

Notes to the accounts

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NICE for the purpose of giving a true and a fair view has been selected. The particular policies adopted by NICE are described below. They have been consistently applied in dealing with items that are considered material to the accounts.

1.1 ACCOUNTING CONVENTION

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

1.2 GOING CONCERN

NICE was established in 1999 as a special health authority. The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposed the dissolution of NICE as a special health authority. The Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act 2012. NICE's status changed on 1 April 2013 from that of a special health authority to a non-departmental public body (NDPB). All the functions transferred to the new organisation and funding from the Department of Health (DH) will continue. It is therefore considered appropriate to prepare the 2013/14 financial statements on a going concern basis.

1.3 ACQUISITIONS, MERGERS AND DISCONTINUED OPERATIONS

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

1.4 MOVEMENT OF ASSETS WITHIN THE DH GROUP

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Net Expenditure, and is disclosed separately from operating costs. Absorption accounting was applied in the transfer of the National Clinical Assessment Service (NCAS).

Other transfers of assets and liabilities within the DH group are accounted for in line with *IAS 20* and similarly give rise to income and expenditure entries. For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, the Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the Statement of Comprehensive Net Expenditure.

In the primary statements and the notes to the accounts the 2012/13 figures are provided for information only. These relate to the financial position and performance of NICE as a special health authority, which closed on 1 April 2013 as described above.

1.5 INCOME

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

Operating income is income which relates directly to the operating activities of NICE. It principally comprises fees and charges for services provided on a full-cost basis to external customers, but it also includes other income such as that from the Department of Health, the devolved administrations (Wales, Scotland and Northern Ireland), NHS England and Health Education England. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed

should be treated as miscellaneous income. The NICE International team receives grants from other UK and overseas government departments, philanthropic organisations and development banks. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.6 TAXATION

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

1.7 EMPLOYEE BENEFITS

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

1.8 NON-CURRENT ASSETS

a. Capitalisation

All assets falling into the following categories are capitalised:

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

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

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

iv Desktop and laptop computers are not capitalised.

b. Valuation

INTANGIBLE ASSETS

Intangible assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

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

No indexation was applied to any asset class during 2013/14. The impact of indexation would not have been material. The carrying value is a reasonable approximation of fair value.

c. Depreciation and amortisation

Depreciation is charged on each fixed asset as follows:

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

ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives: 3–10 years
iii Assets under construction are not depreciated
iv Leasehold improvements are depreciated over 10 years, except where the lease will not be renewed in which case it will then be the remaining life of the lease
v Each equipment asset is depreciated evenly over the expected useful life:

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

1.9 LOSSES AND SPECIAL PAYMENTS

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

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

1.10 FOREIGN EXCHANGE

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

1.11 LEASES

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

1.12 PROVISIONS

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

1.13 CASH AND CASH EQUIVALENTS

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

1.14 FINANCIAL INSTRUMENTS

Financial assets

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

Financial assets are initially recognised at fair value.

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

Held to maturity investments

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

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other 3 financial asset classifications. They are measured at fair value with changes in value taken to the Revaluation Reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Net Expenditure Account on de-recognition.

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

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

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

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

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

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

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

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

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

1.16 ADMINISTRATION AND PROGRAMME EXPENDITURE
The Statement of Comprehensive Net Expenditure is analysed between Administration and Programme income and expenditure.

Administration costs are defined as non-frontline activities and support activities such as provision of policy advice, business support services and technical or scientific advice and support. Programme costs are defined as cost incurred in providing frontline activities such as direct patient care; at NICE, an example is supplying the British National Formulary to the NHS.

Prior to 2011/12, all of NICE's activity was classified as Programme by default; however, following the 2010 Government Spending Review, the Administration Control Limit of the Department of Health was extended to include special health authorities and NDPBs for the first time. HM Treasury's Consolidated Budgeting Guidance provides additional information on the different budgets and their purposes.

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

1.17 CONTINGENT LIABILITIES

In addition to contingent liabilities disclosed in accordance with *IAS 37*, NICE discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under *IAS 37* are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by *IAS 37* are stated at the amounts reported to Parliament.

1.18 IMPENDING APPLICATION OF NEWLY ISSUED ACCOUNTING STANDARDS NOT YET EFFECTIVE

Where material, NICE must disclose that it has not yet applied a new accounting standard, and known or reasonable estimable information relevant to assessing the possible impact that initial application of the new standard will have on NICE's financial statements.

The Treasury FReM does not require the following standards and interpretations to be applied in 2013/14. The application of the standards as revised would not have a material impact on the accounts for 2013/14, were they applied in that year:
IAS 27 Separate Financial Statements – subject to consultation
IAS 28 Investments in Associates and Joint Ventures – subject to consultation
IFRS 9 Financial Instruments – subject to consultation
IFRS 10 Consolidated Financial Statements – subject to consultation
IFRS 11 Joint Arrangements – subject to consultation
IFRS 12 Disclosure of Interests in Other Entities – subject to consultation
IFRS 13 Fair Value Measurement – subject to consultation
IPSAS 32 Service Concession Arrangement – subject to consultation.

1.19 KEY AREAS OF JUDGEMENT AND ESTIMATES

NICE has made estimates in relation to provisions, useful economic lives of its assets and depreciation and amortisation. These estimates were informed by legal opinion, specialist knowledge of managers and senior staff, and length of property leases.

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

NICE operates 3 reportable operating segments that meet specified criteria as defined within the scope of *IFRS 8 (Segmental Reporting)* under paragraph 13, where each reportable segment accounts for either 10 per cent of the reported income, surplus/deficit or net assets of the entity. A fourth reportable segment that does not meet these quantitive thresholds is shown to enable reconciliation to the Statement of Changes to Taxpayers' Equity.

Prior to 2013/14, NICE operated as a single reportable operating segment under *IFRS 8*, paragraph 12 (aggregation criteria). NICE's activities were deemed to be inter-related and contiguous, the objective being to provide guidance on treatment and care and on effective public health interventions. The reportable segments introduced below did not meet the 10 per cent thresholds in previous financial years, therefore no prior year information is provided.

The largest reportable segment is for the core activities of NICE, funded mainly through grant-in-aid from the Department of Health. NICE also receives income and funding from other sources, notably from the devolved administrations (Wales, Scotland and Northern Ireland), NHS England and Health Education England. Note 6 provides a breakdown of income received to support NICE activities.

The Scientific Advice programme was launched by NICE in 2009, providing fee-for-service consultation to pharmaceutical and biotech companies on product development plans. It operates on a full cost recovery basis and receives no exchequer funding. This has now become an established programme within NICE, with dedicated resources. In 2013/14 it accounted for 10 per cent of operating income (excluding grant-in-aid) received and is therefore shown as a separate reporting segment below.

NICE International has been established for approximately 6 years, operating on a strict non-profit fee-for-service basis. Funding comes from several sources, such as UK government bodies (Department of Health, Department for International Development [DFID]), the World Bank, regional development banks and overseas governments. Philanthropic organisations such as the Bill & Melinda Gates Foundation and the Rockefeller Foundation provided a significant amount of funding to the NICE International programme during 2013/14, resulting in receipts also rising significantly to 18 per cent of total income. This level of funding is expected to continue for the foreseeable future.

On 1 May 2013 the National Technology Adoption Centre (NTAC) transferred into NICE from Central Manchester University Hospitals Foundation Trust (CMUHFT), becoming the Health Technology Adoption Programme (HTAP) within NICE. Prior to joining NICE, the team generated income through a fee-for-service scheme, providing advice and support to medical technologies manufacturers. At the transfer date, NTAC's net assets included £64,000 commercially generated income held in reserves. These reserves have not been utilised by HTAP during 2013/14 and continue to be held in reserve. Although under the 10 per cent threshold for net assets, it is shown below as a reportable segment for completeness.

The NTAC/HTAP temporarily suspended its income-generating activity when the team joined NICE, to allow the team to become integrated into the organisation. Therefore no income or expenditure is shown in the HTAP reportable segment below. However, this activity is expected to recommence during the 2014/15 financial year.

2013/14	NICE £000	Scientific Advice £000	NICE International £000	HTAP Advisory Service £000	Total £000
Gross Expenditure	66,680	643	1,225	0	**68,548**
Income	(5,679)	(746)	(1,370)	0	**(7,795)**
Net Expenditure	**61,002**	**(103)**	**(145)**	**0**	**60,754**
Segment Net Assets (at 31 March 2014)	**5,946**	**103**	**145**	**64**	**6,258**

With the agreement of the DH sponsor department the net assets of the 3 operating segments are to be held separately within the General Reserve.

3. STAFF NUMBERS AND RELATED COSTS

	Permanently employed staff £000	Other £000	2013/14 Total £000	2012/13 Total £000
Salaries and wages	**22,682**	**4,215**	**26,897**	29,528
Social security costs	**2,091**		**2,091**	2,241
Employer contributions to NHSPA	**2,913**		**2,913**	3,079
Staff costs (before recoveries of outward secondments)	**27,686**	**4,215**	**31,901**	34,848
Less recoveries in respect to outward secondments	**(160)**		**(160)**	(262)
Total net costs	**27,526**	**4,215**	**31,741**	34,586

AVERAGE NUMBER OF PERSONS EMPLOYED

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

	Permanently employed staff number	Other number	2013/14 Total number	2012/13 Total number
Directly employed	**513**	**47**	**560**	600
Other				
Total	**513**	**47**	**560**	600

PENSIONS COSTS

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

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

The Scheme is subject to a full actuarial valuation every 4 years (until 2004, every 5 years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the Scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and Scheme members. The last such valuation, which determined current contribution rates, was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

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

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation Report

recommended that employer contributions could continue at the existing rate of 14 per cent of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5 per cent up to 8.5 per cent of their pensionable pay depending on total earnings. On advice from the Scheme Actuary, Scheme contributions may be varied from time to time to reflect changes in the Scheme's liabilities.

b) Accounting valuation

A valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a 2-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website.

c) Scheme provisions

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

Annual pensions

The Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as 'pension commutation'.

Pensions indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in consumer prices in the 12 months ending 30 September in the previous calendar year.

Lump sum allowance

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

Ill-health retirement

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

Death benefits

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

Additional Voluntary Contributions (AVCs)

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

Transfer between funds

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

Preserved benefits

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

Compensation for early retirement

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

Retirements due to ill health

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There was no retirement during 2013/14 (2012/13: nil).

Redundancies and terminations

During 2013/14 there were 7 redundancies/terminations, totalling £345k (2012/13: 3 cases at £317k).

3.1 Reporting of exit packages

	2013/14			2012/13		
Exit package cost band	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**
<£10,000	1	0	**1**	0	0	**0**
£10,000 - £25,000	2	0	**2**	0	0	**0**
£25,000 - £50,000	1	0	**1**	0	0	**0**
£50,000 - £100,000	2	0	**2**	1	0	**1**
£100,000 - £150,000	1	0	**1**	2	0	**2**
£150,000 - £200,000	0	0	**0**	0	0	**0**
Total number of exit packages	7	0	**7**	3	0	**3**
Total resource cost (£000)	345	0	**345**	317	0	**317**

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Pensions Scheme. Exit costs are accounted for in full in the year of departure. Where NICE has agreed early retirements, the additional costs are met by NICE and not by the NHS Pension Scheme. This disclosure reports the number and value of exit packages agreed within the year. Note: the expenses associated with these departures may have been recognised in part or in full in a previous period.

4. OTHER ADMINISTRATION COSTS

	Notes	2013/14 £000	2012/13 £000
Non-cash items:			
Depreciation	7	**652**	539
Amortisation		**41**	350
Gain/loss on transfer by absorption		**3**	0
(Profit)/loss on disposal		**41**	17
		737	906
Rentals under operating leases		**1,623**	1,841
Auditor's remuneration: audit fees*		**52**	53
Premises and fixed plant		**3,260**	3,936
Transport and moveable plant		**0**	8
External contractors		**2,882**	2,867
National Collaborating Centres		**10,246**	8,552
Publications and conferences		**600**	540
Establishment expenses		**3,836**	4,476
Supplies and services – general		**992**	2,699
		24,228	25,879

*No non-audit fees were charged.

5. PROGRAMME COSTS

	Notes	2013/14 £000	2012/13 £000
Non-cash items:			
Provisions provided for in year	11	**96**	407
Unwinding of discount on provisions	11		
		96	407
Rentals under operating leases		**0**	43
Premises and fixed plant		**0**	75
External contractors		**1,995**	544
British National Formulary		**4,883**	5,487
Medical Technology External Assessment Centres		**2,837**	2,594
Healthcare Library Services (SHALL)		**1,909**	1,901
Publications and conferences		**101**	0
Establishment expenses		**598**	692
Supplies and services – general		**1**	312
		12,420	12,054

5.1 Reconciliation of expenditure to resource limits

Reconciliation of net resource outturn to revenue resource limit

	2013/14	2012/13
	£000	£000
Net expenditure	**60,754**	64,955
Prior period adjustment	**0**	0
Net resource outturn	**60,754**	64,955
Revenue resource limit	**67,229**	72,072
(Over)/underspend against limit	**6,475**	7,117

Reconciliation of net capital resource outturn to capital resource limit

	2013/14	2012/13
	£000	£000
Gross capital expenditure	**983**	1,827
NBV of assets disposed	**(38)**	(20)
Net capital resource outturn	**945**	1,807
Capital resource limit	**1,500**	2,580
(Over)/underspend against limit	**555**	773

6. OPERATING INCOME ANALYSED BY CLASSIFICATION AND ACTIVITY

	2013/14	2012/13
	Total	Total
	£000	£000
Sales of services	**1,840**	1,642
Health Education England	**2,390**	0
Strategic Health Authorities	**0**	1,635
NHS England	**719**	0
National Assembly for Wales	**1,009**	1,520
Northern Ireland Department of Health, Social Service and Public Safety	**230**	490
Northern Ireland Health and Social Care Board	**268**	182
Other NHS Income	**0**	423
NHS National Services Scotland	**372**	416
Healthcare Improvement Scotland	**171**	139
Department for International Development	**243**	255
Scottish Government	**34**	34
Department of Health	**128**	152
Income received for staff seconded out	**160**	262
Reimbursement of travel costs	**77**	63
Publications and royalties income	**41**	52
Research grant receipts	**100**	0
Other income	**13**	4
Gain on transfer by absorption of NCAS (1 April 2012)*	**0**	557
Total	**7,795**	7,826

* The National Clinical Assessment Service (NCAS) transferred into NICE from the National Patient Safety Agency on 1 April 2012 and transferred out to the NHS Litigation Authority on 1 April 2013.

7. NON-CURRENT ASSETS

7.1 Intangible assets

	Software licences £000
Cost or valuation	
At 1 April 2013	1,350
Additions – purchased	**23**
Disposals	**0**
Transferred out with NCAS	**(782)**
At 31 March 2014	**591**
Amortisation	
At 1 April 2013	1,018
Charged during the year	**41**
Disposals	**0**
Transferred out with NCAS	**(578)**
At 31 March 2014	**481**
Net book value at 31 March 2014	**110**

All of NICE's assets are owned.

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

All of NICE's assets are owned.

7.2 Property, plant and equipment

2013/14	Tenants leasehold improvement £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Payments on account and assets under construction £000	Total £000
Cost or valuation						
At 1 April 2013	2,335	435	1,055	715	0	4,540
Additions – purchased	**81**	**0**	**197**	**80**	**602**	**960**
Disposals	**(30)**	**0**	**(6)**	**(34)**	**0**	**(70)**
Transferred out with NCAS	**0**	**0**	**(167)**	**(25)**	**0**	**(192)**
At 31 March 2014	**2,386**	**435**	**1,079**	**736**	**602**	**5,238**
Depreciation						
At 1 April 2013	601	310	514	205	0	1,630
Charged during the year	**361**	**37**	**147**	**107**	**0**	**652**
Disposals	**(4)**	**0**	**(6)**	**(22)**	**0**	**(32)**
Transferred out with NCAS	**0**	**0**	**(78)**	**(25)**	**0**	**(103)**
At 31 March 2014	**958**	**347**	**577**	**265**	**0**	**2,147**
Net book value at 31 March 2014	**1,428**	**88**	**502**	**471**	**602**	**3,091**
Net book value at 31 March 2013	1,734	125	541	510	0	2,910

Property, plant and equipment are valued using indices. No indexation was applied in 2013/14. No assets were donated during 2013/14. All of NICE's assets are owned.

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

Property, plant and equipment are valued using indices. No indexation was applied in 2012/13. No assets were donated during 2012/13. All of NICE's assets are owned.

7.3 Profit/(loss) on disposal of fixed assets

	2013/14 £000	2012/13 £000
Profit/(Loss) on disposal of intangible fixed assets	**0**	0
Profit/(Loss) on disposal of property, plant and equipment	**(36)**	(17)
	(36)	(17)

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2013/14 £000	2012/13 £000
Amounts falling due within one year		
Trade receivables	**1,770**	1,917
Prepayments and accrued income	**3,325**	2,433
	5,095	4,350
Amounts falling due after more than one year		
Prepayments and accrued income	**0**	0
	0	0

8.1 Intra-government balances

		2013/14 £000	2012/13 £000
Balances with other central government bodies		**1,475**	1,268
Balances with local authorities		**779**	490
Balances with NHS bodies		**23**	145
Balances with public corporations and trading funds		**0**	0
	Subtotal	**2,277**	1,903
Balances with bodies external to government		**2,818**	2,447
	Total	**5,095**	4,350

9. CASH AND CASH EQUIVALENTS

	2013/14 £000	2012/13 £000
Balance at 1 April	**490**	387
Net change in cash and cash equivalent balances	**2,536**	103
Balance at 31 March	**3,026**	490
The following balances at 31 March were held:		
Government Banking Service	**3,026**	485
Commercial banks and cash in hand	**0**	5
Balance at 31 March	**3,026**	490

10. TRADE PAYABLES AND OTHER LIABILITIES

	2013/14 £000	2012/13 £000
Amounts falling due within one year		
Trade payables	**(618)**	(1,787)
Capital creditors	**(109)**	(378)
Tax and social security	**(6)**	(6)
Accruals and deferred income	**(2,760)**	(2,026)
	(3,493)	(4,197)
Amounts falling due after more than one year		
Other payables	**0**	0
	0	0

10.1 Intra-government balances		2013/14 £000	2012/13 £000
Balances with other central government bodies		**(130)**	(209)
Balances with local authorities		**(7)**	(136)
Balances with NHS Trusts		**(145)**	(164)
	Subtotal	**(282)**	(509)
Balances with bodies external to government		**(3,211)**	(3,688)
	Total	**(3,493)**	(4,197)

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £000
Balance at 1 April 2012	2,006
Arising during the year	905
Utilised during the year	(632)
Provisions not required written back	(498)
Balance at 1 April 2013	**1,781**
Arising during the year	**221**
Utilised during the year	**(306)**
Provisions not required written back	**(125)**
At 31 March 2014	**1,571**
Analysis of expected timing of discounted flows	
Within 1 year	(489)
1–5 years	(971)
Over 5 years	(111)
	(1,571)

As at 31 March 2014 NICE made a provision of £221k in respect of ongoing legal matters, £626k in respect of expected dilapidation and £724k for deferred lease incentives. The dilapidation relates to NICE's contractual liability at the end of the lease to reinstate the premises to the same state as at the start of the lease. The amount of the liability provision represents the current best estimate. Lease incentives are periods of occupation which are rent free. *IAS 17 (SIC 15)* requires the total value of the lease to be spread over the whole lease period, including the rent-free period. The provision relates to lease incentives already taken but which will be applied to future rental periods. The provisions have not been discounted.

12. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2014 for which no provision has been made	2013/14 £000	2012/13 £000
Property, plant and equipment	**998**	0
Intangible assets	**0**	0

13. COMMITMENTS UNDER LEASES

13.1 Operating leases

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

	2013/14 £000	2012/13 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	**1,740**	1,731
Later than one year and not later than five years	**5,249**	6,095
Later than five years	**1,236**	1,822
	8,225	9,648
Other leases		
Not later than one year	**108**	75
Later than one year and not later than five years	**93**	97
Later than five years	**0**	0
	201	172

13.2 Finance Lease

There are no Finance Leases for 2013/14 (2012/13: none).

14. OTHER FINANCIAL COMMITMENTS

NICE has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payment to which NICE is committed during 2013/14 analysed to the period during which the commitment expires is as follows:

	2013/14 £000	2012/13 £000
Not later than one year	**443**	538
Later than one year and not later than five years	**131**	525
Later than five years	**0**	0
	574	1,063

15. CONTINGENT LIABILITIES

NICE has no contingent liabilities (2012/13: none).

16. LOSSES AND SPECIAL PAYMENTS

Losses are defined as transactions for which Parliament could not make provision when voting for resources. It may include losses due to overpayment, bad debts, foreign exchange fluctuations, fruitless payments, loss of and damage to property and bookkeeping losses. The 2013/14 figure includes a fruitless payment of £82k which relates to NICE's Liverpool offices being vacant for a short period until the lease expired. Special Payments include compensation payments which are made under legal obligation.

	2013/14 Number	**2013/14 £000**	2012/13 Number	2012/13 £000
Losses	**1,139**	**193**	1,286	105
Special payments	**0**	**0**	0	0

17. RELATED PARTY TRANSACTIONS

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

	Income £000	**Expenditure £000**
NHS organisations		
National core content on NICE Evidence Search website, e.g. journals		
Health Education England	2,390	
Health Technology Adoption Programme and Medical Innovation Briefings		
NHS England	715	
Rental of office space at Wavertree Technology Park		
NHS Property Services		239
Finance services		
NHS Shared Business Services		53
Seconded staff, committee chairs and assessors		
Oxford University Hospitals NHS Trust	60	79
Cambridge University Hospitals NHS Foundation Trust		56
St George's Healthcare NHS Trust		73
Royal Devon and Exeter NHS Foundation Trust		70
University Hospital of South Manchester NHS Foundation Trust		70
Medical Technologies External Assessment Centre		
Newcastle upon Tyne Hospitals NHS Foundation Trust		729
National Collaborating Centre for Cancer		
Velindre NHS Trust		1,334
PGD service delivery		
Guy's and St Thomas' NHS Foundation Trust		50
Other government organisations (not disclosed elsewhere)		
NICE International Global Health Project Services		
Department of Health	82	
NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions		
Department for International Development	292	
NICE funding from devolved administrations		
Scottish Government	205	
Welsh Assembly	1,009	
Department of Health, Social Services and Public Safety: Northern Ireland	458	
BNF funding		
NHS National Services Scotland	372	

17 RELATED PARTY TRANSACTIONS (CONT.)

	Income £000	Expenditure £000
Other government organisations (not disclosed elsewhere) (cont.)		
Rental of office space at Spring Gardens		
British Council		1,178
Business rates		
Manchester City Council		309
Westminster City Council		466
Library loans and services		
British Library		64

	Receivables £000	Payables £000
NHS organisations		
Internal audit fees		
Department of Health		35
Rental of office space at Wavertree Technology Park		
NHS Property Services		29
Seconded staff, committee chairs and assessors		
Oxford University Hospitals NHS Trust		55
Other government organisations (not disclosed elsewhere)		
Rental of office space and office fit-out at Spring Gardens		
British Council	178	29
Business rates		
Manchester City Council	315	
Westminster City Council	464	
Backdated refund for business rates		
London Borough of Camden	52	
NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions		
Department for International Development	49	
Accrued NICE funding		
Department of Health, Social Services and Public Safety: Northern Ireland	302	

18. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of *IAS 10*, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no such incidents. The financial statements were authorised for issue by the Accounting Officer on 20 June 2014.

19. FINANCIAL INSTRUMENTS

As the cash requirement of NICE is met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with NICE's expected purchase and usage requirement and NICE is therefore exposed to little credit, liquidity or market risk.

20. MACHINERY OF GOVERNMENT

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

NICE hosted NCAS for one year, from 1 April 2012 to 31 March 2013. The information in notes 20.1 and 20.2 on page 59 show the assets and liabilities that transferred from NICE, as well as the expenditure incurred by NCAS during this period.

On 1 May 2013 the National Technology Adoption Centre (NTAC, now called the Health Technologies Adoption Programme, HTAP) transferred to NICE from Central Manchester University Hospitals Foundation Trust. The transfer process was different to that of NCAS as NTAC did not transfer with its assets. Instead their assets were deemed to have been transferred to the Department of Health who then in turn transferred the assets to NICE as grant-in-aid funding. The assets transferred are shown in note 20.3 on page 59.

HOSTING OF NATIONAL CLINICAL ASSESSMENT SERVICE

20.1 Movement in Statement of Financial Position	**Closing balance 31 March 2013 £000**	**NCAS transferred out £000**	**NICE 1 April 2013 £000**
Property, plant and equipment	2,910	89	**2,821**
Intangible assets	332	204	**128**
Total non-current assets	3,242	293	**2,949**
Receivables	1,917	389	**1,528**
Cash and cash equivalents	490	99	**391**
Other	2,433	0	**2,433**
Total current assets	4,840	488	**4,352**
Total assets	8,082	781	**7,301**
Payables	(4,197)	(778)	**(3,419)**
Total current liabilities	(4,197)	(778)	**(3,419)**
Provisions	(1,781)	0	**(1,781)**
Total non-current liabilities	(1,781)	0	**(1,781)**
Total liabilities	(5,978)	(778)	**(5,200)**
Total assets less total liabilities	2,104	3	**2,101**

20.2 Statement of Comprehensive Net Expenditure for the year ended 31 March 2013	**2012/13 NCAS £000**
Expenditure:	
Staff costs (before recoveries of outward secondments)	**4,947**
Depreciation and amortisation	**362**
Other expenditures	**2,524**
	7,833
Income from activities	**(1,205)**
	(1,205)
Comprehensive Net Expenditure for the year ended 31 March 2013	**6,628**

TRANSFER OF NATIONAL TECHNOLOGY ADOPTION CENTRE

20.3 Statement of Financial Position	**Balance on 1 May 2013 £000**
Receivables	**0**
Cash and cash equivalents	**405**
Other	**0**
Total current assets	**405**
Total assets	**405**
Total liabilities	**0**
Total assets less total liabilities	**405**

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