NICE National Institute for Health and Care Excellence

National Institute for Health and Care Excellence

Annual Report and Accounts 2014/15

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

Annual Report and Accounts 2014/15

Presented to Parliament pursuant to Schedule 16, paragraph 12(2)(a) of the Health and Social Care Act 2012

Ordered by the House of Commons to be printed on 15 July 2015

HC226

© National Institute for Health and Care Excellence 2015

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as National Institute for Health and Care Excellence copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at:

National Institute for Health and Care Excellence
Level 1A
City Tower
Piccadilly Plaza
Manchester M1 4BT

This publication is available at www.gov.uk/government/publications and at www.nice.org.uk

Print ISBN 9781474122238
Web ISBN 9781474122245

ID 18061509 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf
of the Controller of Her Majesty's Stationery Office

CONTENTS

Chair's and Chief Executive's foreword 4
About NICE 5
Directors' report 10
Strategic report 16
Remuneration report 23
Statement of the Board's and Chief Executive's responsibilities 28
Governance statement 29
Certificate and report of the Comptroller and Auditor General 34
Financial statements 2014/15 36
Notes to the accounts 40
Contacting NICE 60

Chair’s and Chief Executive’s foreword

The past 12 months have seen us fully embracing our new role in providing guidance and quality standards for the social care sector, as well as continuing with our commitment to improving outcomes for people using the NHS and public health services.

Through our social care programme, we can help health and social care professionals to work more closely and effectively together, and make better use of limited resources. Our quality standard on managing medicines in care homes, published in March 2015, builds on the corresponding guideline and is an example of where services can work together and share information to ensure people in care homes receive the correct medicines.

In July 2014, we published guidance on safe nurse staffing levels in adult acute hospital wards. The guidance sets out a series of ‘red flag events’, which warn when nurses in charge of shifts must act immediately to ensure they have enough staff to meet the needs of patients on that ward. In February 2015, we published companion guidance on safe staffing in maternity settings.

Our interventional procedures programme reached a landmark with its 500th piece of guidance in August 2014, under the leadership of Professor Bruce Campbell. Since launching in 2002, the programme has played a valuable role in ensuring that new procedures introduced to the NHS are both safe and effective.

Another of our core functions is the public health programme, which offers the NHS and local authorities guidance on preventing ill health and promoting healthy lifestyle choices. As the House of Commons Health Select Committee acknowledged, we now have “a comprehensive raft of guidance on cost-effective interventions that can be introduced, either by the NHS or by local government, to improve diet and physical activity”. This suite of guidance also includes advice to help tackle other major challenges including tobacco control and poor oral health.

The Government has pledged that there can be “no health without mental health” and we echo those sentiments. We have added to our portfolio of guidance on mental health and wellbeing with important updates to help support people with bipolar disorder, and new advice to address gaps in mental healthcare for new mothers. We recognise that mental health issues are often triggered by other chronic long-term conditions and are developing guidance on multi-morbidities that will better support people who have a mix of mental and physical health conditions.

All our work is aligned with the ambitions set for the NHS in NHS England’s Five Year Forward View, the priorities set for improving public health by Public Health England, and the goals the Government has identified for social care in the Care Act 2014.

As we continue to increase the range of guidance, standards, and supporting products on offer to the health and social care sectors, we take this opportunity to pay tribute to the hard work of our staff, and the individuals and organisations with whom we work, who make it all possible.

Professor David Haslam CBE Chair
Sir Andrew Dillon Chief Executive

About NICE

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.

In April 2013, we were established in primary legislation, becoming a non-departmental public body (NDPB), and 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.

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. Professor David Haslam is the Chair and Sir Andrew Dillon is Chief Executive.

In 2014/15, we published 24 new clinical guidelines, 30 technology appraisals, guidance on 33 interventional procedures, guidance covering 7 medical technologies and 6 public health guidelines. Our diagnostic assessment programme produced guidance on 5 topics, and we issued 29 quality standards.

We launched our new naming system for NICE guidelines in January 2015. This followed our decision to use a single set of methods and processes to develop all NICE guidelines, whether they are clinical, public health, social care, safe staffing or medicines practice guidelines. Since then, we have produced 7 NICE guidelines.

We developed 9 local government briefings, which summarise recommendations from NICE public health guidelines. We published our first 2 safe staffing guidelines on midwifery settings and nursing in adult inpatient wards in acute hospitals, and we also published our first piece of highly specialised technology guidance.

In addition, we produced 23 Medtech innovation briefings, 20 evidence updates, 17 evidence summaries: new medicines, 12 evidence summaries: unlicensed or off-label medicines, 14 key therapeutic topics, 1 evidence summary: medicines and prescribing briefing, and 38 medicines evidence commentaries.

WHAT WE DO

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. From January 2015, it was also responsible for developing NICE safe staffing guidelines. This was a new programme of work that was developed by NICE after being asked by the Department of Health and NHS England to produce guidelines on safe staffing capacity and capability in the NHS.

The Centre also contains the Medicines and Prescribing Centre, which is responsible for developing evidence summaries for selected new medicines, and for unlicensed and off-

label medicines that are considered to be of clinical significance to the NHS, where there are no clinically appropriate licensed alternatives. It is also responsible for commissioning and distributing the British National Formulary (BNF) and British National Formulary for Children (BNFC) medicines guides to the NHS.

CENTRE FOR PUBLIC HEALTH

This Centre develops guidance on the prevention of ill health, the promotion of good health and the management of certain infectious diseases. Its guidance is aimed at those working in the NHS, local authorities, Public Health England, voluntary sectors and the wider public. Our public health guidance covers a library of over 60 topics, including areas such as smoking, obesity, at-risk groups such as children and settings such as the workplace. In January 2015, the Centre became part of the Health and Social Care directorate.

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 responsible for the Patient Access Scheme Liaison Unit and the Scientific Advice Programme, and hosts the NICE Topic Selection Programme. The directorate includes the Science Policy and Research programme, which helps to improve the methods that NICE uses to develop guidance and encourages partners to commission research relevant to our work.

It is also responsible for the Highly Specialised Technologies programme, which provides recommendations on the use of new and existing highly specialised medicines and treatments within the NHS.

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 issuing and dissemination of NICE guidance, runs the NICE website, and handles press and public enquiries.

This year, the NICE website was updated to make looking for and using NICE guidance, quality standards and other products much simpler and more intuitive. The new site is now optimised for mobiles and tablets, has better search functions, and is more integrated with NICE's products and services.

The website averages more than 1 million page visits each month. It 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. Smartphone users can download the NICE Guidance app, which allows all our guidance to be seen at a glance. We also provide NICE BNF and BNF for Children apps, which allow easy access to the

WHERE DOES NICE GUIDANCE APPLY?

The way NICE was established in legislation means that our guidance is officially England-only. However, we have agreements to provide certain NICE products and services to Wales, Scotland and Northern Ireland.

Decisions on how our guidance applies in these countries are made by the devolved administrations, which are often involved in and consulted on the development of NICE guidance.

latest prescribing information from the most widely used medicines information resources within the NHS.

NICE employees attended 214 speaking engagements at conferences and events in the UK and Europe. Audiences ranged from industry to local government and the charity sector. In March 2015, we held an online web seminar on NICE's expanding role in supporting high quality social care, and the challenges the sector faces.

HEALTH AND SOCIAL CARE DIRECTORATE

This directorate is responsible for developing a range of products, including the production of guidelines for social care, resources to support implementation and adoption, and quality standards for health, public health and social care.

The directorate includes:

- The social care programme. This includes the development of guidance for social care, commissioned through the NICE Collaborating Centre for Social Care hosted by the Social Care Institute for Excellence (SCIE). The Collaborating Centre also provides resources to support the use of guidance across the social care sector.
- The 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 guidelines implementation programme. This 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 8-strong implementation team works across England, Northern Ireland and Wales to ensure we respond to requests from each region.
- 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. This 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. This develops and supports opportunities to involve patients, carers and the public in NICE's work.
- The Health Technologies Adoption and Impact Programme. This facilitates the adoption of selected medical and diagnostic technologies across the NHS. This team also provides clinicians, professionals, managers and other decision makers with resources as part of their quality improvement programmes. The team develops uptake metrics and informs the organisation on the implementation and use of NICE guidance and standards.

Along with the communications team, the directorate looks after NICE Pathways, which is an online tool that provides quick and easy access, topic by topic, to NICE guidance and resources.

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

EVIDENCE RESOURCES DIRECTORATE

NICE digital services

The Digital Services and Information Resources teams make up the directorate responsible for managing all NICE's digital services, for providing NICE Evidence Services and UK PharmaScan to external users, and for delivering an information service to NICE internal guidance development programmes.

The digital services team manages NICE's digital services in line with our digital strategy. This includes the maintenance and improvement of existing digital products and services, as well as the delivery of new digital products and services. Our digital services consist of the NICE website, NICE Pathways, the NICE syndication service, NICE Evidence Services and guidance development services, which support internal guidance development processes.

NICE information services

Activities carried out by our internal information function to support NICE programmes include systematic literature searching and quality assurance of searches developed by external contractors. The team also ensures the continuing development of NICE's information function and its corporate library services.

NICE Evidence Services

NICE Evidence Services are a suite of services available through the NICE website that provide internet access to high-quality authoritative evidence and best practice. NICE Evidence Services consist of:

- Evidence Search, which provides free open access to a unique index of selected and authoritative evidence-based information for health and social care professionals.
- Healthcare Database Advanced Search (HDAS), which is aimed at the expert user and provides access to an extensive set of journals and bibliographic databases. These are procured by NICE and funded by Health Education England.
- Clinical Knowledge Summaries (CKS), which provide primary care practitioners with access to evidence-based guidance on over 330 of the most commonly occurring conditions presenting in primary care.
- BNF microsite, which provides open access to BNF and BNFC content across the UK.
- Bulletins, alerts and the evidence awareness service, which helps busy professionals keep up-to-date with important new evidence.

In February 2015 we launched an improved Evidence Search, which is designed to work equally well on desktops, tablets and mobiles, and with quicker download speeds.

UK PharmaScan

UK PharmaScan is a horizon-scanning database with over 150 registered companies recording information on new medicines in development. It provides up-to-date information such as clinical trial and regulatory information to national horizon scanning groups and approved NHS organisations. NHS England now uses UK PharmaScan as its primary source of information on new medicines.

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

Last year, we launched the International Decision Support Initiative (iDSI), together with Thailand's Health Intervention and Technology Assessment Program (HITAP), leading UK universities, and the US-based Center for Global Development (CGD). The initiative was set up to strengthen capacity for evidence and value-informed decision-making in healthcare across low- and middle-income countries.

We consolidated our partnership with the Indian Government, at the request of our Indian counterparts and with support from the UK Department for International Development (DFID). We concluded the first phase of our work on quality improvement in Vietnamese public hospitals, and on Health Technology Assessment in the Philippines. We also started new projects in South Africa, together with Witwatersrand University, and in Indonesia, under the leadership of HITAP, as part of the iDSI.

At the request of the Bill and Melinda Gates Foundation, we launched the Reference Case for Economic Evaluation together with our partners, which attempts to standardise economic analyses with a view to informing investment decisions.

In May 2014, the NICE Chair Professor David Haslam addressed the World Health Assembly, highlighting the importance of priority setting for Universal Healthcare Coverage (UHC). Over the last year, we hosted 33 foreign delegations from 20 different countries, including 4 ministerial delegations.

HOW WE WORK

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

NICE's guideline topics are referred to us by the Department of Health, NHS England or another government department. 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 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, including 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.

Directors’ report

Since its establishment, the NICE Board has met in public regularly. Through those meetings, the Board has been responsible for taking key strategic decisions about the direction of the organisation and how it will use its resources, and reviewing progress with the delivery of key priorities for 2014/15.

Meetings of the Board are publicised through the NICE website, with reports published before meetings take place. Board meetings are held in public as per the Admissions to Meetings Act. Members of the public are welcome to attend and observe the meetings.

During the financial year 2014/15, 6 public meetings of the NICE Board took place.

Attendance rates of members are available on our website, as well as biographies of each member.

All Directors have confirmed that there is no relevant audit information of which the auditors are unaware, and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant information and to establish that auditors are aware of that information.

Where applicable, directors are members of the NHS pension scheme. Please refer to note 3 on page 46 in the full financial statements for further details of the scheme.

THE BOARD

The Board’s membership in 2014/15 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 Non-Executive Director
Professor Finbarr Martin Non-Executive Director
Sir Andrew Dillon Chief Executive
Professor Gillian Leng CBE Deputy Chief Executive and Health and Social Care Director
Professor Carole Longson MBE Health Technology Evaluation Centre Director
Ben Bennett Business Planning and Resources Director

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 2014/15 were:
Jonathan Tross CB* Non-Executive Director
Professor David Hunter Non-Executive Director
Professor Rona McCandlish Non-Executive Director
Linda Seymour Non-Executive Director

* Chair of the Committee

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 2014/15 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 2014/15 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 Carole Longson MBE Health Technology Evaluation Centre Director

Alexia Tonnel Evidence Resources Director

Professor Mike Kelly* Public Health Centre Director

* Until 31/12/2014

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 2014/15, 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[1], Dr David Sloan[2]
- Local Government Reference Group, chaired by Philip Woodward
- Safe Staffing Advisory Committee, chaired by Miles Scott[3] and Marie Burnham[4]
- Clinical Guidelines 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.

1 Until 23/12/2014 2 Appointed 23/12/2014
3 Until 28/02/2015 4 Appointed 01/01/2015

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:

- 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 (PenTAG), University of Exeter
- 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 2014/15 worked with the following organisations:

- London School of Hygiene and Tropical Medicine at the University of London
- Cardiff University
- York Health Economics Consortium
- Health Economic Research Group, Brunel University
- Matrix Evidence
- Bazian Ltd
- University of Cambridge
- Institute for Employment Studies
- Erasmus University, Rotterdam
- LSE Enterprise Ltd
- Institute of Education, University of London
- Leeds Beckett University (formerly Leeds Metropolitan University)
- Plymouth University
- RAND Europe Community Interest Company
- Royal College of Psychiatrists

EXTERNAL ASSESSMENT CENTRES

The 4 External Assessment Centres are independent academic units retained to work with the Centre for Health Technology Evaluation on projects related to the work programmes on medical devices, diagnostics and interventional procedures. The centres are:

- Birmingham and Brunel Consortium, University of Birmingham
- CEDAR, Cardiff and Vale University Health Board
- King's Technology Evaluation Centre (KiTEC), King's College London
- Newcastle and York Consortium, Newcastle upon Tyne Hospitals NHS Foundation Trust.

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 4 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 and the University of Kent
- Research in Practice (RIP)
- Research in Practice for Adults (RIPfA).

CORPORATE INFORMATION

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 4 accidents and 2 incidents reported during the year, which were risk assessed and appropriate action taken. There were no days lost because of an injury at work during 2014/15.

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 2-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 are collated and recorded and NICE ensures the data are accurate and up-to-date in accordance with the Equality Act 2010. The equality data of the NICE workforce are reported on an annual basis within the NICE Equalities report, which can be found at www.nice.org.uk/about/who-we-are/policies-and-procedures/nice-equality-scheme

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.

An analysis of employee gender within the positions of director, senior manager and employee is detailed in table 1.

Table 1: Gender by staff group

	Male %	Female %
Director	50	50
Senior Manager	48	52
Other staff	30	70

PENSIONS

Our employees automatically 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.

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.

During 2014/15, 3 off-payroll engagements left NICE and 1 transferred to the 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.

Number of existing engagements as of 31 March 2014	25
Of which:	
number that have existed for less than 1 year at the time of reporting	4
number that have existed for between 1 and 2 years at the time of reporting	2
number that have existed for between 2 and 3 years at the time of reporting	5
number that have existed for between 3 and 4 years at the time of reporting	5
number that have existed for 4 or more years at the time of reporting	9

For all new off-payroll engagements, or those that reach 6 months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than 6 months	
Number of new engagements, or those that reach 6 months in duration, between 1 April 2014 and 31 March 2015	5
Number of new engagements which include contractual clauses giving NICE the right to request assurance in relation to income tax and National Insurance obligations	5
Number for whom assurance has been requested	3
Of which:	
assurance has been received	2
assurance has not been received	0
terminated as a result of assurance not being received	1

Of the 5 new off-payroll engagements during 2014/15, 1 has left NICE. Assurance was requested but the engagement terminated before the assurance was due to be received. Of the 2 engagements where assurance has not been requested at 31 March 2015, 1 has left NICE and the other has been requested in April 2015.

There have been 8 posts during the financial year 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.

EXIT PACKAGES

Notes 3.1 and 3.2 of the accounts (pages 47 to 48) provide details of the exit packages agreed during 2014/15.

SICKNESS ABSENCE

During the period January to December 2014, the percentage of days lost due to sickness was 1.5% (2013: 1.7%).

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).

BETTER PAYMENT PRACTICE CODE – MEASURE OF COMPLIANCE

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

	Number	**£000**
Total non-NHS bills paid 2014/15	**5,166**	**40,516**
Total non-NHS bills paid within target	**4,850**	**39,122**
Percentage of non-NHS bills paid within target	**93.9%**	**96.6%**
Total NHS bills paid 2014/15	191	3,218
Total NHS bills paid within target	171	3,104
Percentage of NHS bills paid within target	89.5%	96.5%

The amount owed to trade creditors at 31 March 2015, in relation to the total billed through the year expressed as creditor days, is 4 days (5 days 2013/14).

Signed

Sir Andrew Dillon

Chief Executive and Accounting Officer

22 June 2015

Strategic report

CURRENT AND FUTURE DEVELOPMENTS

Since the Health and Social Care Act 2012 established NICE as an NDPB on 1 April 2013, we have been working to increase our visibility and impact within the social care sector, publishing a quality standard on managing medicines in care homes in March 2015 to accompany the corresponding guideline. A further 4 social care guidelines are anticipated to be published during 2015/16.

In 2014/15, 2 new types of guidance were published for the first time. Firstly, we published our first guidelines on safe staffing levels, with guidance for acute wards in hospitals with adult inpatients followed by advice on midwifery staffing in maternity settings.

Secondly, the first highly specialised technologies guidance was published in January 2015 on using eculizumab for treating atypical haemolytic uraemic syndrome. The purpose of highly specialised technologies guidance is to provide guidance and recommendations on the use of new and existing highly specialised medicines and treatments within the NHS in England.

We continue to build closer ties with other NHS organisations such as NHS England who commission our Medtech innovation briefings, and Health Education England who fund and contribute to Evidence Services such as providing access to specialist journals and databases, and supporting the Healthcare Databases Advanced Search (HDAS) tool.

Further, in 2014/15, we established the Observational Data Unit within the medical technologies evaluation programme to support NHS England's Commissioning Through Evaluation initiative.

This increase in activity has been achieved despite a reducing resource base. As part of the Government's drive to reduce public spending, NICE's recurrent Administration grant-in-aid cash funding fell by a further 3.5% (£2.0 million) to £55.4 million in 2014/15.

However, in addition to absorbing inflationary pressures on pay budgets, the costs of new products such as safe staffing and highly specialised technologies guidance were also absorbed within the baseline budget, creating a cost pressure of approximately 10% in real terms in 2014/15.

Programme grant-in-aid funding remains the same (£8.9 million). See the Financial Overview section (this page) for further details on funding and how this has been utilised.

Looking forward, further efficiencies will need to be found in order to balance the budget while delivering the same quantity and quality of products and services. The Administration budget in 2015/16 has been reduced by a further 4% (£2.3 million).

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

FINANCIAL OVERVIEW

Total net expenditure for 2014/15 was £63.3 million, leaving an underspend of £1.4 million against a total revenue resource limit of £64.7 million (2% underspend).

Table 2 on page 17 summarises the financial outturn.

Table 2: Net expenditure compared with revenue resource limit

2014/15 Financial outturn	Revenue resource limit £m	Net expenditure £m	Variance £m
Administration	54.8	53.9	(0.9)
Programme	8.9	8.5	(0.4)
Depreciation and amortisation	1	0.9	(0.1)
Net Comprehensive Expenditure for the year ended 31 March 2015	64.7	63.3	(1.4)

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 and amortisation	0.7	0.7	0
Net Comprehensive Expenditure for the year ended 31 March 2014	67.2	60.8	(6.4)

HOW IS NICE FUNDED?

NICE's total revenue budget for 2014/15 was £64.7 million. This comprised:

- **£54.8 million Administration grant-in-aid funding.** The recurrent baseline funding from the Department of Health was £55.4 million (a reduction of £2.0 million from 2013/14). However, £0.8 million of this funding was switched non-recurrently from Administration funding to Capital to cover the cost of refurbishing the Manchester office during 2014. 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 BNF on behalf of the NHS (both in print and digital versions) and to support the medical technologies evaluation programme, in particular the cost of the External Assessment Centres.
- **£1.0 million ring-fenced depreciation limit.** This is non-cash funding, an increase of £0.3 million from 2013/14 because of the fixed assets purchased as part of the Manchester office refurbishment.

In addition to the revenue resource limit, NICE's baseline capital resource limit was £0.5 million, although this was increased to £1.3 million following the £0.8 million switch from administration revenue budgets noted above.

The total amount of cash available to be drawn down from the Department of Health during 2014/15 was £65.0 million made up of: Administration funding (£54.8 million), Programme funding (£8.9 million) and Capital funding (£1.3 million), as described above.

The actual amount of funding drawn down by NICE in 2014/15 was £62.0 million. This was £3.0 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 £9.8 million operating income from other sources, as follows:

- £2.2 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
- £2.2 million was received from the devolved administrations and other government departments to contribute to the cost of producing NICE guidance and publication of the BNF
- trading activities such as NICE International and the Scientific Advice programme generated £3.6 million gross income and receipts
- NHS England provided £1.2 million funding for the Health Technology Adoption Programme, developing Medtech innovation briefings and supporting the Commissioning Through Evaluation programme
- £0.6 million was received from other sources, including grants for supporting academic research and recharges for staff seconded to external organisations.

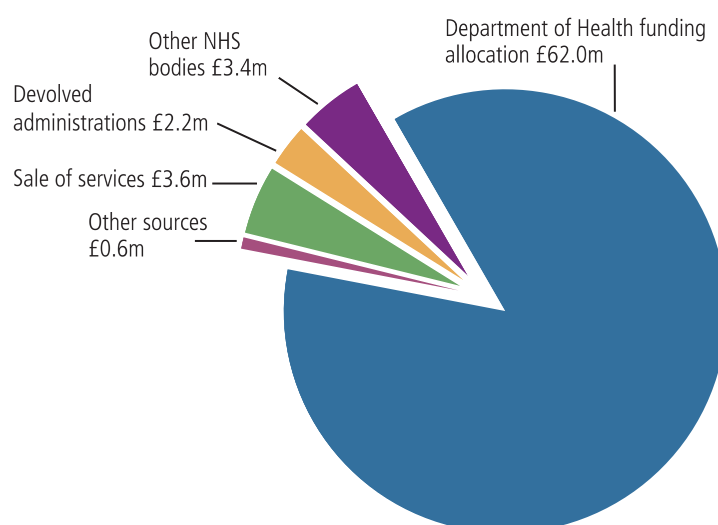
Figure 1 shows the breakdown of income received.

HOW THE FUNDING WAS USED

The net expenditure for NICE in 2014/15 was £63.3 million (£60.8 million in 2013/14), which resulted in an underspend of £1.4 million against a total revenue resource limit of £64.7 million (see table 2 on page 17).

The £1.4 million (2%) underspend by NICE in 2014/15 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.

Figure 1: Income breakdown (£71.8 million)



The average number of whole-time equivalent employees within NICE during 2014/15 was 603, compared with 560 in 2013/14 (see note 3, page 46, for a further breakdown of staff costs and numbers).

During 2014/15, there were 6 compulsory redundancies (7 cases during 2013/14). All 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 notes 3.1 and 3.2 (pages 47 to 48).

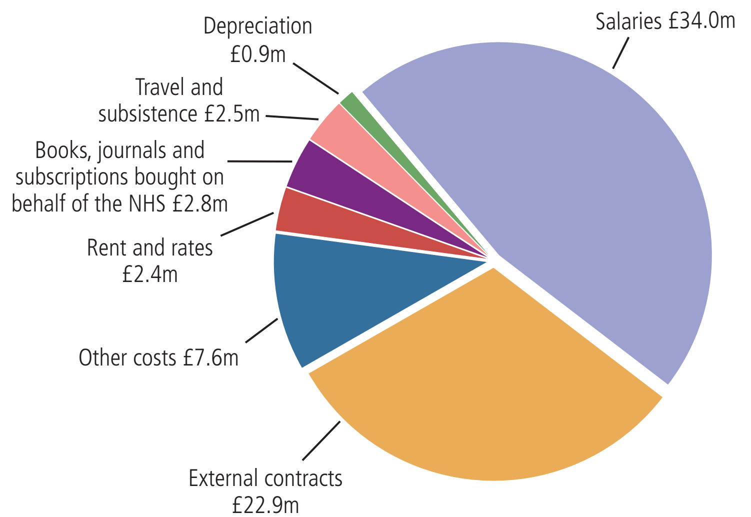
At 31 March 2015, there were 52 vacant posts, although many of the business-critical posts have been covered by temporary/agency staff. During 2014/15, NICE employed an average (per month) of 40 agency and seconded staff and incurred no expenditure on consultancy.

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 shows a breakdown of how the money was spent in 2014/15. The main areas of expenditure were salaries and external contracts. Major external contracts were in place with:

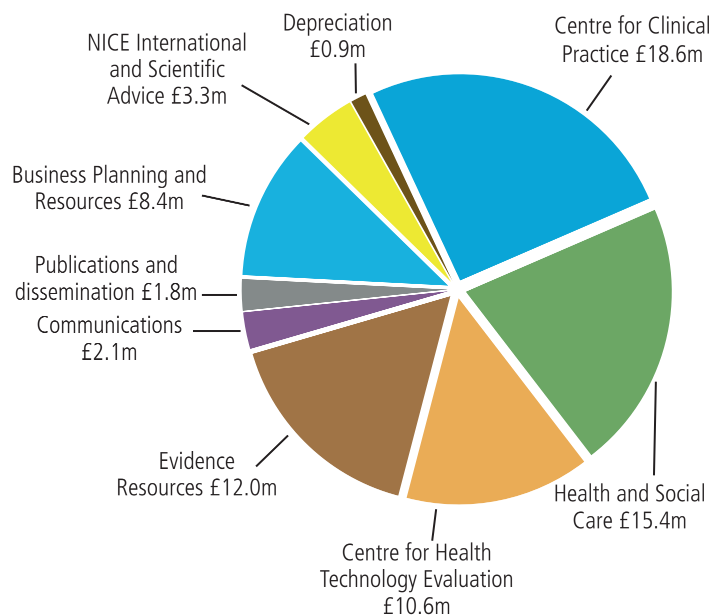
- 4 NCCs, which help us to produce clinical guidelines and from 1 April 2013 the NCC for Social Care
- the Royal Pharmaceutical Society of Great Britain and BMJ Publishing Group to publish the BNF
- 4 External Assessment Centres to assist in providing medical technologies guidance
- content providers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

Figure 2: Gross expenditure breakdown (£73.1 million)



The organisation is structured into 4 guidance and advice-producing directorates and several corporate support functions. Figure 3 shows how the gross expenditure is spread across NICE.

Figure 3: Gross expenditure by centre and directorate (£73.1 million)



CAPITAL EXPENDITURE

The capital budget during 2014/15 was £1.3 million (£0.5 million baseline funding plus an £0.8 million Revenue to Capital transfer for refurbishment of the Manchester office). Of this, £1.0 million was spent, most of which (£0.8 million) related to the refurbishment of the Manchester office, which began in January 2014. The refurbishment was carried out to make best use of the space available and enable a move to hot-desking arrangements, which allows optimum use of desk space.

The improvements 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 has sublet parts of the Manchester office to the Homes and Community Agency and to the Care Quality Commission, both commencing in 2015/16. The subletting will generate additional gross income of about £452,000 per annum.

The remaining capital expenditure related to IT infrastructure, software and equipment (£0.2 million). This included launching a new NICE Intranet and purchasing a new room booking system to make more efficient use of NICE's meeting rooms.

SOCIAL, COMMUNITY AND ENVIRONMENTAL ISSUES

NICE occupies 2 floors in a shared building in London and 1 floor of a shared building in Manchester. Both landlords provide services and encourage behaviour that meets sustainability requirements. This includes recycling, energy efficiency and other facilities.

NICE performance, where measurable, is contained in the Sustainability Report on this page.

NICE considers environmental and sustainability issues when procuring goods and services. Staff are encouraged to travel on NICE business in the most sustainable and cost-effective way. NICE is also a member of the Cycle to Work scheme, which provides tax efficient incentives for employees to use cycles to travel to work.

2014/15 ACCOUNTS

The Annual Accounts have been prepared and issued by NICE, under directions given by the Secretary of State, with the approval of HM Treasury, in accordance with the Health and Social Care Act 2012.

The Accounts report the resources that have been used by NICE to deliver its objectives. These Annual Accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual (FReM) 2014/15.

SUSTAINABILITY REPORT

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 Greener Government Strategy.

The Green Group is now being re-established following refurbishment works. The group will be tasked with putting forward and implementing new ideas to further NICE's progress in reducing its emissions.

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 BNF.

NICE continues to strive to reduce its carbon impact year on year, and the closure of the Liverpool office in June 2014 has aided further reductions in NICE's carbon footprint because it now operates from 2 sites instead of 3.

All waste is transferred off site to be compressed and used to provide sustainable energy. Therefore, NICE recycles 100% of its waste. NICE still encourages staff to separate waste wherever possible.

Energy use has remained consistent for 2014/15 when compared with 2013/14. The London office receives meter readings for the floor areas it occupies, which do not include the main plant usage but cover common areas.

Rail travel emissions have increased by 20% during the past year because of the growth of the workforce and NICE's increased remit, necessitating new and more frequent committee meetings – where face-to-face attendance is required. However, NICE staff continue to make use of the more economical videoconferencing and teleconferencing facilities across sites for all other meetings.

Air travel has also increased by 7%, which is mainly because of the continued expansion of work in the International team, which is mainly funded from other UK and overseas government departments, philanthropic organisations and development banks.

There is a further 4% reduction in printing because of the continued electronic delivery of guidance. This will continue to reduce further with plans to produce all guidance electronically as far as possible in the future.

NICE's performance is summarised in tables 3 to 5 and figure 4.

- Financial information was not separately available for office estate waste because the cost is included in office cleaning and maintenance contracts, where the element is not differentiated.
- Financial information was not separately available for office estate water usage because 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.

Table 3: Sustainable development – summary of performance

Activity		**2014/15**
Business travel including international air travel	Miles	3,893,094
	Expenditure (£)	1,334,396
Office estate energy	Consumption (kWh)	836,371
	Expenditure (£)	144,837
Office estate waste	Consumption (kg)	79,225
Printing	Paper (tonnes)	207
	Expenditure (£)	575,636

Table 4: Waste

	2014/15	2013/14
Non-recycled (kg)	0	0
Recycled (kg)	79,225	81,486
Total waste (kg)	79,225	81,486
Percentage recycled	100%	100%

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

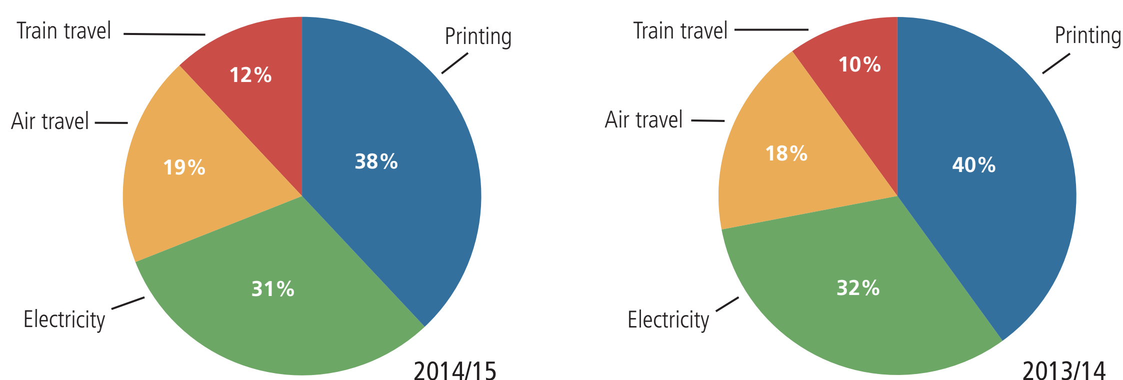


Table 5: Estimated carbon emissions

	2014/15		2013/14	
Activity	**Outturn**	**Carbon tonnes**	Outturn	Carbon tonnes
Electricity (kWh)	836,371	510	829,792	506
Scope 2[1] total		**510**		506
Rail travel (miles)	2,379,275	187	1,664,701	156
Air travel (miles)	1,513,819	313	1,373,387	294
Printing (tonnes)	207	624	215	647
Scope 3[2] total		**1,124**		1,097
Total		**1,634**		1,603

[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

STATUTORY FRAMEWORK

The accounts for the year ending 31 March 2015 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 an NDPB. New legislation relevant to NICE includes the Health and Social Care Act 2012 c7 and S.I. 2013/259.

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 2014/15 was £50,500 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 22 June 2015

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 3 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 25 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 can be found on page 24 and the membership of the Remuneration and Terms of Service Committee can be found on page 10 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 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 to continue to hold office
- if the Chair or non-executive member does not attend a NICE meeting for a period of 3 months
- if they fail to disclose a pecuniary interest in matters under discussion at a NICE meeting.

There is no 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

		2014/15				2014/13			
Name	Title	Salary (bands of £5,000)	Benefit/ expenses (taxable to nearest £100)	All pension-related benefits (bands of £2,500)*	Total (bands of £5,000)	Salary (bands of £5,000)	Benefit/ expenses (taxable to nearest £100)	All pension-related benefits (bands of £2,500)*	Total (bands of £5,000)
		£000	£000	£000	£000	£000	£000	£000	£000
Prof David Haslam CBE	Chair	60 to 65	nil	nil	60 to 65	60 to 65	nil	nil	65 to 70
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	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
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	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Bill Mumford	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	nil	5 to 10
Sir Andrew Dillon (1)	Chief Executive	185 to 190	0.1	nil	185 to 190	185 to 190	0.1	nil	185 to 190
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	175 to 180	nil	12.5 to 15	185 to 190	175 to 180	nil	25 to 27.5	200 to 205
Prof Carole Longson MBE	Health Technology Evaluation Centre Director	125 to 130	nil	22.5 to 25	150 to 155	125 to 130	nil	30 to 32.5	155 to 160
Prof Michael Kelly (2)	Public Health Excellence Director	80 to 85	nil	nil	80 to 85	105 to 110	nil	15 to 17.5	125 to 130
Ben Bennett	Business Planning and Resources Director	115 to 120	3.1	0 to 2.5	120 to 125	115 to 120	2.6	nil	120 to 125
Jane Gizbert (3)	Communications Director	105 to 110	nil	57.5 to 60	165 to 170	105 to 110	nil	5 to 7.5	110 to 115
Alexia Tonnel (3)	Evidence Resources Director	115 to 120	nil	50 to 52.5	170 to 175	115 to 120	nil	27.5 to 30	145 to 150
Prof Mark Baker	Clinical Practice Centre Director	115 to 120	nil	nil	115 to 120	115 to 120	nil	nil	115 to 120

* No performance pay and bonuses or long-term performance pay and bonuses were paid to any senior managers in either 2014/15 or 2013/14
(1) No longer an active member of the NHS Pension Scheme
(2) No longer an active member of the NHS Pension Scheme and left 31 December 2014
(3) Lump sum of 1995 Scheme commuted to 2008 Scheme

PENSION BENEFITS – SENIOR MANAGEMENT

Name	Title	Real increase/ (decrease) in pension at age 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 2015 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2015 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2014	Cash Equivalent Transfer Value at 31 March 2015	Real increase in Cash Equivalent Transfer Value
		£000	£000	£000	£000	£000	£000	£000
Sir Andrew Dillon (1)	Chief Executive	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	0 to 2.5	0 to 2.5	50 to 55	155 to 160	974	1,042	41
Prof Carole Longson MBE	Health Technology Evaluation Centre Director	0 to 2.5	2.5 to 5	20 to 25	65 to 70	401	445	32
Prof Michael Kelly (2)	Public Health Excellence Director	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ben Bennett	Business Planning and Resources Director	0 to 2.5	0 to 2.5	45 to 50	135 to 140	856	906	27
Jane Gizbert (3)	Communications Director	2.5 to 5	nil	10 to 15	nil	159	173	10
Alexia Tonnel (3)	Evidence Resources Director	2.5 to 5	nil	5 to 10	nil	44	61	16
Prof Mark Baker (4)	Clinical Practice Centre Director	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) No longer an active member of the NHS Pension Scheme. At 31 March 2014, Total Accrued Pension at age 60 was £85–90k and Lump Sum was £255–260k
(2) No longer an active member of the NHS Pension Scheme and left 31 December 2014
(3) No lump sum for senior managers who only have membership in the 2008 Section of the NHS Pensions Scheme
(4) Opted out of NHS Pension Scheme
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 2014/15 was £185k–190k (2013/14: £185k–£190k). This was 4.6 times (2013/14: 4.6) the median remuneration of the workforce, which was £40,558 (2013/14: £40,558). In 2014/15, no employees (2013/14: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8k to £175k (2013/14, £8k–£175k).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind as well as severance payments. It does not include employer pension contributions and the Cash Equivalent Transfer Value (CETV) of pensions.

Other information about pay includes:

- The highest paid director remuneration has not changed between 2013/14 and 2014/15. Senior managers did not receive an inflationary pay increase, with no bonuses being made during 2014/15.
- Median pay remained the same during 2013/14 and 2014/15.
- Pay scales remained unchanged in 2014/15; however, staff did receive incremental increases and staff at the top of their pay band received a 1% non-consolidated increase.
- Staff numbers have increased from 560 in 2013/14 to 603 in 2014/15; the composition of permanent and other staff can be seen in note 3 of the accounts.

CETVs

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. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008.

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 and 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
22 June 2015

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
22 June 2015

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 an 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 Ministers, and in 2014/15 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 strategy day meeting in October 2014 where it agreed key activities to support the strategic objectives for the following 3 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 meet 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.

NICE has successfully established its work stream to develop guidance on safe staffing levels following a commission from the Department of Health and this will support implementation of the Francis Report alongside the development of NICE quality standards. The safe staffing guidelines are supported by compliance-assessed staffing tools to assist implementation. This work stream is now on hold while NICE discusses future arrangements with the Department of Health and other stakeholders.

The Board is supported by 2 committees dealing with audit and risk management, and remuneration and terms of service 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.

In October 2014, the Audit and Risk Committee held a workshop with the National Audit Office to consider the effectiveness of the committee as measured against standards set by HM Treasury. The workshop concluded that there were no significant departures from HM Treasury guidance and they were content that mechanisms were in place to allow effective dialogue on strategic issues and to provide me with appropriate support.

The Audit and Risk Committee meets 4 times a year and has received reports from Internal Audit in a range of areas. It has drawn on positive reports on responding to new work programmes, guidance development, estates strategy, key financial controls, workforce capacity to deliver and business continuity. 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 2015, the Board considered an Audit and Risk Committee annual report and concluded that the arrangements were well structured and effective.

The Senior Management Team provides oversight and scrutiny of human resources functions. Attendance at all committees was good and details are on our website.

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

work with the Analytical Modelling Oversight Committee (AMOC) created by the Department of Health to oversee implementation of the Macpherson recommendations, establish relevant processes and manage risks.

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. All risks will be evaluated in light of the NHS 5 Year Forward View and the NICE 3 Year Strategy and refined where necessary.

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
- the Triennial Review of NICE challenges the existence of the organisation, or proposes major changes in its functions or their management. The consultation period concluded on 2 January 2015; the analysis thereof is yet to be published.

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 official guidance on information governance from relevant bodies including the Health and Social Care Information Centre on a risk-assessed basis, and this 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 best practice guidance and relevant standards are applied to underpin information governance. Staff have been reminded of what to be alert for in the handling of sensitive personal data 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 3-year digital strategy to support 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 1 incident report relating to disclosure of personal data in misdirected emails from an enquiry management system, 1 of which contained sensitive data. 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

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 achieving 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 2015 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 information governance arrangements or serious untoward incidents relating to sensitive information 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 2014/15, Internal Audit completed 6 assessments. These included assessments on guidance development for safe staffing, responding to new programmes, a review of financial controls for sales and billing, the estates strategy and workforce planning. All of these assessments provided substantial or moderate assurance that the controls NICE relies on to manage risk are suitably designed, consistently applied and effective.

NICE has adhered to the requirements on publishing information on any highly paid and/or senior off-payroll appointments, and has passed to the Department of Health accurate data and disclosures to this end.

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 the Board 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
22 June 2015

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 2015 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 2015 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 Report 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 24 June 2015

Financial statements 2014/15

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2014/15 Total £000**	2013/14 Total £000
Administration costs			
Staff costs (before recoveries of outward secondments)	3	**31,037**	29,513
Other administration costs	4	**25,347**	24,225
Loss on transfer by absorption	4	**0**	3
Operating income	6	**(1,536)**	(1,232)
Programme costs			
Staff costs (before recoveries of outward secondments)	3	**2,978**	2,388
Programme costs	5	**13,814**	12,420
Loss on transfer by absorption	5	**0**	0
Operating income	6	**(8,292)**	(6,563)
Net Comprehensive Expenditure for the year ended 31 March 2015		**63,348**	60,754

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Notes	**31 March 2015 £000**	31 March 2014 £000
Non-current assets			
Property, plant and equipment	7	**3,097**	3,091
Intangible assets	7	**166**	110
Total non-current assets		**3,263**	3,201
Current assets			
Trade and other receivables	8	**2,517**	1,770
Other current assets	8	**2,565**	3,325
Cash and cash equivalents	9	**3,434**	3,026
Total current assets		**8,516**	8,121
Total assets		**11,779**	11,322
Current liabilities			
Trade and other payables	10	**(5,237)**	(3,493)
Provisions for liabilities and charges	11	**(748)**	(489)
Total current liabilities		**(5,985)**	(3,982)
Non-current assets less net current liabilities		**5,794**	7,340
Non-current liabilities			
Provisions for liabilities and charges	11	**(884)**	(1,082)
Total non-current liabilities		**(884)**	(1,082)
Assets less liabilities		**4,910**	6,258
Taxpayers' equity			
General fund		**4,910**	6,258
Revaluation reserve		**0**	0
		4,910	6,258

The financial statements were approved by the Board on 17 June 2015 and signed by

Sir Andrew Dillon, Accounting Officer 22 June 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**Total 31 March 2015 £000**	Total 31 March 2014 £000
Cash flows from operating activities			
Net surplus		**(63,348)**	(60,754)
Adjustments for non-cash transactions	4,5	**1,415**	833
(Increase)/Decrease in trade and other receivables	8	**13**	(745)
Adjustment for transfer of receivables of the National Clinical Assessment Service (NCAS)	21	**0**	(488)
Increase/(Decrease) in trade and other payables	10	**1,744**	(704)
Adjustment for transfer of payables of NCAS	21	**0**	778
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	10	**103**	269
Use of provisions	11	**(408)**	(306)
Net cash outflow from operating activities		**(60,481)**	(61,117)
Cash flows from investing activities			
Purchase of property, plant and equipment	7,10	**(1,007)**	(1,229)
Purchase of intangible assets	7	**(107)**	(23)
Proceeds of disposal of property, plant and equipment		**3**	0
Proceeds of disposal of intangibles		**0**	0
Net cash outflow from investing activities		**(1,111)**	(1,252)
Cash flows from financing activities			
Net grant-in-aid		**62,000**	64,905
Net increase/(decrease) in cash equivalents in the period		**408**	2,536
Net increase/(decrease) in cash equivalents in the period	9	**408**	2,536
Cash and cash equivalents at the beginning of the period	9	**3,026**	490
Cash and cash equivalents at the end of the period	9	**3,434**	3,026

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

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	General Fund [1] £000	Revaluation [2] Reserve £000	Total reserves £000
Balance at 1 April 2013	2,037	67	2,104
Changes in taxpayers' equity for 2013/14			
Transfer of NCAS to NHS Litigation Authority	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)
Balance at 1 April 2014	6,258	0	6,258
Changes in taxpayers' equity for 2014/15			
Grant-in-aid funding from parent	62,000		62,000
Transfers between reserves	0		0
Comprehensive expenditure for the year	(63,348)		(63,348)
Balance at 31 March 2015	**4,910**	**0**	**4,910**

[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 on an accruals basis in accordance with the 2014/15 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 an NDPB.

All the functions transferred to the new organisation and funding from the Department of Health will continue. It is therefore considered appropriate to prepare the 2014/15 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 DEPARTMENT OF HEALTH 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. Other transfers of assets and liabilities within the Department of Health group are accounted for in line with *IAS 20* and similarly give rise to income and expenditure entries.

1.5 INCOME

Income is accounted for by 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 1 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 1 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 2014/15. 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 de-recognised 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 1 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 costs incurred in providing frontline activities such as direct patient care; at NICE, an example is supplying the BNF 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 Department of Health sponsor department, most 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 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 2014/15. The application of the standards as revised would not have a material impact on the accounts for 2014/15, were they applied in that year:
IFRS 9 Financial Instruments – for accounting periods on or after 1 January 2018
IFRS 13 Fair Value Measurement – effective from 1 April 2015.

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% of the reported income, surplus/deficit or net assets of the entity. A fourth reportable segment that does not meet these quantitative thresholds was shown in 2013/14 to enable reconciliation to the Statement of Changes to Taxpayers' Equity.

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 detailed breakdown of income received to support NICE activities.

NICE International has been established for approximately 7 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), the World Bank, regional development banks and overseas governments. Philanthropic organisations such as the Bill and Melinda Gates Foundation and the Rockefeller Foundation provided a significant amount of funding to the NICE International programme during 2014/15, resulting in receipts also rising significantly to 29% of total income (18% in 2013/14). This level of funding is expected to continue for the foreseeable future.

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 2014/15, it accounted for 8% (10% in 2013/14) of operating income (excluding grant-in-aid) received and is therefore shown as a separate reporting segment below.

On 1 May 2013, the National Technology Adoption Centre (NTAC) transferred into NICE from Central Manchester University Hospitals Foundation Trust (CMFT), 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.

The HTAP income generating activity was temporarily suspended when the team joined NICE, to allow the team to become integrated into the organisation. During 2014/15, it was agreed that the activity would resume as a joint initiative with the Scientific Advice programme, with income expected in 2015/16. The reserves previously held under HTAP have therefore been transferred into Scientific Advice’s net assets during 2014/15.

2014/15	**NICE £000**	**Scientific Advice £000**	**NICE International £000**	**HTAP Advisory Service £000**	**Total £000**
Gross Expenditure	69,884	775	2,516	0	73,175
Income	(6,216)	(809)	(2,802)	0	(9,827)
Net Expenditure	**63,668**	**(34)**	**(286)**	**0**	**63,348**
Transfer of net assets between segments		64		(64)	
Segment Net Assets (at 31 March 2015)	**4,278**	**201**	**431**	**0**	**4,910**

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 Department of Health 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	2014/15 Total £000	2013/14 Total £000
Salaries and wages	24,780	3,792	28,572	26,897
Social security costs	2,253	0	2,253	2,091
Employer contributions to NHSPA	3,190	0	3,190	2,913
	30,223	3,792	34,015	31,901
Less recoveries in respect to outward secondments	(82)	0	(82)	(160)
Total net costs	30,141	3,792	33,933	31,741

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	2014/15 Total number	2013/14 Total number
Directly employed	563	40	603	560
Other				
Total	563	40	603	560

PENSIONS COSTS

The NHS Pension scheme is an unfunded, multi-employer defined benefit scheme. Individual NHS bodies are therefore unable to identify their shares of the underlying scheme assets and liabilities. The scheme was actuarially valued as at 31 March 2012. Details can be found on the pension scheme website at www.nhsbsa.nhs.uk/pensions

For 2014/15, employers' contributions were payable to the NHS Pension Scheme at the rate of 14% of pensionable pay. The scheme's actuary reviews employer contributions, usually every 4 years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2014.

In April 2015, the employer contribution rate increased to 14.3%. Until then, the employer contribution rate was maintained at 14%. These costs are included in the NHS pension line of note 3.

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 3 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 up to 3 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 5 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 2 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.

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 2014/15 (2013/14: nil).

Redundancies and terminations

During 2014/15, there were 7 redundancies/terminations, totalling £307k (2013/14: 7 cases at £345k).

3.1 Reporting of exit packages

	2014/15			2013/14		
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	0	0	**0**	1	0	1
£10,000 - £25,000	1	0	**1**	2	0	2
£25,000 - £50,000	3	0	**3**	1	0	1
£50,000 - £100,000	2	1	**3**	2	0	2
£100,000 - £150,000	0	0	**0**	1	0	1
£150,000 - £200,000	0	0	**0**	0	0	0
Total number of exit packages	6	1	**7**	7	0	7
Total resource cost (£000)	307	0	**307**	345	0	345

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.

3.2 Exit package breakdown

Exit package cost band	Number of agreements	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	0	**0**
Mutually agreed resignations (MARS) contractual costs	0	**0**
Early retirment in the efficiency of service contractual costs	0	**0**
Contractual payments in lieu of notice*	1	**6**
Exit payments following Employment Tribunals or court orders	0	**0**
Non-contractual payments requiring HMT approval**	1	**33**
	2	**39**

As a single exit package can be made up of several components each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in note 3.1, which will be the number of the individuals.

* Any non-contractual payments in lieu of notice are disclosed under 'non-contractual payments requiring HMT approval' below.

** Includes any non-contractual severance payment following judicial mediation and £33k relating to non-contractual payments in lieu of notice.

No non-contractual payments were made to individuals where the payment value was more than 12 month's of their annual salary.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that report.

4. ADMINISTRATION COSTS

	Notes	**2014/15 £000**	2013/14 £000
Non-cash items:			
Depreciation		**836**	652
Amortisation		**50**	41
Gain/loss on transfer by absorption	21	**0**	3
(Profit)/loss on disposal		**60**	41
		946	737
Rentals under operating leases		**1,639**	1,623
Auditor's remuneration: audit fees*		**51**	52
Premises and fixed plant		**3,242**	3,318
Transport and moveable plant		**0**	0
External contractors**		**4,922**	4,345
NCCs		**10,057**	10,246
Education, training and conferences		**401**	351
Establishment expenses**		**2,988**	2,459
Supplies and services: general		**1,101**	1,097
		25,347	24,228

* No non-audit fees were charged.

** As a result of how the work NICE does has changed over the years, as well as the wider government reporting requirements, NICE has reviewed the types of expenditure included in the above categories. Following the review, some items were moved to different categories, which resulted in significant and opposite movement in 2 areas, External contractors and Establishment expenses. The 2013/14 figures have been amended to take account of these changes.

5. PROGRAMME COSTS

	Notes	**2014/15 £000**	2013/14 £000
Non-cash items:			
Provisions (sum of arising this year and prior year unused)	11	**469**	96
Unwinding of discount on provisions	11	**0**	0
		469	96
Premises and fixed plant		**1**	1
External contractors*		**2,234**	1,244
BNF		**5,190**	5,236
Medical Technology External Assessment Centres		**2,951**	3,042
Healthcare Library Services		**1,965**	1,919
Education, training and conferences		**22**	1
Establishment expenses*		**978**	881
Supplies and services: general		**4**	0
		13,814	12,420

* As a result of how the work NICE does has changed over the years, as well as the wider government reporting requirements, NICE has reviewed the types of expenditure included in the above categories. Following the review, some items were moved to different categories, which resulted in significant and opposite movement in 2 areas, External contractors and Establishment expenses. The 2013/14 figures have been amended to take account of these changes.

Reconciliation

5.1 Reconciliation of net resource outturn to revenue resource limit

	2014/15 £000	2013/14 £000
Net operating cost	**63,348**	60,754
Prior period adjustment	**0**	0
Net resource outturn	**63,348**	60,754
Revenue resource limit	**64,655**	67,229
(Over)/underspend against limit	**1,307**	6,475

5.2 Reconciliation of net capital resource outturn to capital resource limit

	2014/15 £000	2013/14 £000
Gross capital expenditure	**1,011**	983
Net book value of assets disposed	**(63)**	(38)
Net capital resource outturn	**948**	945
Capital resource limit	**1,300**	1,500
(Over)/underspend against limit	**352**	555

6. OPERATING INCOME ANALYSED BY CLASSIFICATION AND ACTIVITY

6.1 Administration income

	2014/15 Total £000	2013/14 Total £000
Devolved administrations	**1,377**	1,105
Department of Health	**90**	46
Income received for staff seconded out	**69**	81
Total administration income	**1,536**	1,232

Administration income relates to funds received over and above grant-in-aid to support core NICE activities. The majority of this funding is a contribution from the devolved administrations for agreements to provide certain NICE services to Wales, Scotland and Northern Ireland. The remainder of the administration income relates to reimbursement of staff costs that would normally be classed as administration expenditure, such as National Clinical Excellence awards paid to employees (funded centrally by the Department of Health) and staff seconded to external organisations.

6.2 Programme income

	2014/15 Total £000	2013/14 Total £000
Income from activities		
NICE International	**2,802**	1,270
Scientific Advice	**809**	746
Income from related NDPBs		
Health Education England	**2,175**	2,390
NHS England	**1,200**	719
Public Health England	**14**	0
Other income		
Devolved administrations	**820**	975
Research grant receipts	**346**	100
Publications and royalties income	**56**	41
Reimbursement of travel costs	**28**	72
Income received for staff seconded out	**13**	79
Contribution to UK PharmaScan costs	**15**	15
Disinvestment of National Prescribing Centre Plus programme	**0**	133
Other income	**14**	23
Total programme income	**8,292**	6,563

Programme income relates to any trading activity carried out by the organisation (such as NICE International), income relating to certain activities classified as programme expenditure by the Department of Health (for example BNF) and any other activity not related to core products funded through grant-in-aid.

Income from activities shows the total income received by NICE International and Scientific Advice. Both programmes are operating segments under *IFRS 8* (Segmental Reporting); see note 2 for further details. Major funding sources for NICE International in 2014/15 include the Bill and Melinda Gates Foundation (£1.0m cash received), DFID (£0.5m) and the Rockefeller Foundation (£0.5m). Funding from these organisations is ring-fenced for specific activity and income is recognised in the accounts when this activity has occurred. Where the specific activity is to be delivered in the following financial year, that income is deferred.

Income from related NDPBs shows the income from other NDPBs whose parent is the Department of Health. See note 18 for further information on Related Party transactions.

Other income includes the devolved administrations contribution to the cost of publishing the BNF (both in print and online) and research income relating to NICE participation in academic research (the majority of which, £191,000, relates to the Innovative Medicines Initiative 'GetReal' project funded by the EU).

7. NON-CURRENT ASSETS

7.1 Intangible assets

	Software licences £000
Cost or valuation	
At 1 April 2014	**591**
Additions: purchased	**107**
Disposals	**(51)**
At 31 March 2015	**647**
Amortisation	
At 1 April 2014	**481**
Charged during the year	**50**
Disposals	**(50)**
At 31 March 2015	**481**
Net book value at 31 March 2015	**166**

All of NICE's assets are owned.

	£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.

7.2 Property, plant and equipment

2014/15

	Buildings £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 2014	**2,386**	**435**	**1,079**	**736**	**602**	**5,238**
Additions: purchased	**565**	**0**	**91**	**248**	**0**	**904**
Disposals	**0**	**0**	**(114)**	**(215)**	**0**	**(329)**
Reclassification	**602**	**0**	**0**	**0**	**(602)**	**0**
At 31 March 2015	**3,553**	**435**	**1,056**	**769**	**0**	**5,813**
Depreciation						
At 1 April 2014	**958**	**347**	**577**	**265**	**0**	**2,147**
Charged during the year	**537**	**36**	**192**	**71**	**0**	**836**
Disposals	**0**	**0**	**(114)**	**(153)**	**0**	**(267)**
Reclassification	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2015	**1,495**	**383**	**655**	**183**	**0**	**2,716**
Net book value at 31 March 2015	**2,058**	**52**	**401**	**586**	**0**	**3,097**
Net book value at 31 March 2014	1,428	88	502	471	602	3,091

Property, plant and equipment are valued using indices. No indexation was applied in 2014/15. No assets were donated during 2014/15. All of NICE's assets are owned.

2013/14

	Buildings £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)
Reclassification	0	0	0	0	0	0
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)
Reclassification	0	0	0	0	0	0
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.

7.3 Profit/(loss) on disposal of fixed assets

	2014/15	2013/14
	£000	£000
Profit/(Loss) on disposal of intangible assets	**0**	0
Profit/(Loss) on disposal of property, plant and equipment	**(60)**	(36)
	(60)	(36)

8. *TRADE RECEIVABLES AND OTHER CURRENT ASSETS*

	2014/15	2013/14
	£000	£000
Amounts falling due within 1 year		
Trade receivables	**2,517**	1,770
Prepayments and accrued income	**2,565**	3,325
	5,082	5,095
Amounts falling due after more than 1 year		
Prepayments and accrued income	**0**	0
	0	0

8.1 Intra-government balances

		2014/15	2013/14
		£000	£000
Balances with other central government bodies		**1,342**	1,475
Balances with local authorities		**806**	779
Balances with NHS bodies		**829**	23
Balances with public corporations and trading funds		**178**	0
	Subtotal	**3,155**	2,277
Balances with bodies external to government		**1,927**	2,818
	Total	**5,082**	5,095

9. *CASH AND CASH EQUIVALENTS*

	2014/15	2013/14
	£000	£000
Balance at 1 April	**3,026**	490
Net change in cash and cash equivalent balances	**408**	2,536
Balance at 31 March	**3,434**	3,026
The following balances at 31 March were held:		
Government Banking Service	**3,434**	3,026
Commercial banks and cash in hand	**0**	0
Balance at 31 March	**3,434**	3,026

10. TRADE PAYABLES AND OTHER LIABILITIES

	2014/15 £000	2013/14 £000
Amounts falling due within 1 year		
Trade payables	**(477)**	(618)
Capital creditors	**(6)**	(109)
Tax and social security	**(35)**	(6)
Accruals and deferred income	**(4,719)**	(2,760)
	(5,237)	(3,493)
Amounts falling due after more than 1 year	**0**	0
	0	0

10.1 Intra-government balances		2014/15 £000	2013/14 £000
Balances with other central government bodies		**(157)**	(130)
Balances with local authorities		**(2)**	(7)
Balances with NHS Trusts		**(1,551)**	(145)
	Subtotal	**(1,710)**	(282)
Balances with bodies external to government		**(3,527)**	(3,211)
	Total	**(5,237)**	(3,493)

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £000
Balance at 1 April 2013	**1,781**
Arising during the year	**221**
Utilised during the year	**(306)**
Provisions not required written back	**(125)**
Balance at 1 April 2014	**1,571**
Arising during the year	**550**
Utilised during the year	**(408)**
Provisions not required written back	**(81)**
At 31 March 2015	**1,632**
Analysis of expected timing of discounted flows	
Within 1 year (period to March 2016)	**748**
1 to 5 years (period April 2016 to March 2020)	**773**
Over 5 years (period March 2020+)	**111**

As at 31 March 2015, NICE made a provision of £550k in respect of restructuring costs, £556k in respect of expected dilapidation and £526k 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 2015 for which no provision has been made	2014/15 £000	2013/14 £000
Property, plant and equipment	**0**	998
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.

	2014/15	2013/14
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Not later than 1 year	**1,740**	1,740
Later than 1 year and not later than 5 years	**4,343**	5,249
Later than 5 years	**628**	1,236
	6,711	8,225
Other leases		
Not later than 1 year	**98**	108
Later than 1 year and not later than 5 years	**61**	93
Later than 5 years	**0**	0
	159	201

13.2 Finance Lease

There are no Finance Leases for 2014/15 (2013/14: none).

14. COMMITMENTS UNDER PRIVATE FINANCE INITIATIVE (PFI) CONTRACTS

NICE does not hold any PFI contracts.

15. OTHER FINANCIAL COMMITMENTS

NICE has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payments to which NICE is committed during 2014/15 analysed by the period during which the commitment expires are as follows:

	2014/15	2013/14
	£000	£000
Not later than 1 year	**276**	443
Later than 1 year and not later than 5 years	**0**	131
Later than 5 years	**0**	0
	276	574

16. CONTINGENT LIABILITIES

NICE has no contingent liabilities (2013/14: none).

17. LOSSES AND SPECIAL PAYMENTS

	2014/15	**2014/15**	2013/14	2013/14
	Number	**£000**	Number	£000
Losses	**1,131**	**62**	1,139	193
Special payments	**1**	**33**	0	0

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 2014/15 figure includes a fruitless payment of £13k, 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.

18. *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	2,175	
Health Technology Adoption Programme and Medical Innovation Briefings		
NHS England	1,203	
Seconded staff, committee chairs and assessors		
Oxford University Hospitals NHS Trust		53
Cambridge University Hospitals NHS Foundation Trust		57
St George's Healthcare NHS Trust		72
Royal Devon and Exeter NHS Foundation Trust		70
University Hospital of South Manchester NHS Foundation Trust		69
Medical Technologies External Assessment Centre		
Newcastle upon Tyne Hospitals NHS Foundation Trust		1,009
National Collaborating Centre for Cancer		
Velindre NHS Trust		1,274
PGD service delivery		
Guy's and St Thomas' NHS Foundation Trust		50
Other government organisations (not disclosed elsewhere)		
Clinical Excellence Awards		
Department of Health	90	
Internal audit fees, training and recruitment costs		
Department of Health		113
NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions		
Department for International Development	284	
Medical Technologies External Assessment Centre		
Welsh Assembly		708
NICE funding from devolved administrations		
Scottish Government	205	
Welsh Assembly	789	
Department of Health, Social Services and Public Safety: Northern Ireland	383	
BNF funding		
NHS National Services Scotland	435	
Business Services Organisation, Northern Ireland	167	
Welsh Assembly	219	

	Income £000	Expenditure £000
Other government organisations (not disclosed elsewhere) (cont.)		
Rental of office space at Spring Gardens		
British Council		1,205
Business rates		
Manchester City Council		315
Westminster City Council		464
Library loans and services		
British Library		64

	Receivables £000	Payables £000
NHS organisations		
Health Technology Adoption Programme, Medical Innovation Briefings and Commissioning Through Evaluation		
NHS England	825	
Mental health access and waiting times programme		
NHS England		1,500
Seconded staff, committee chairs and assessors		
Oxford University Hospitals NHS Trust		30
Other government organisations (not disclosed elsewhere)		
Internal audit fees and training		
Department of Health		34
Rental of office space and office fit-out at Spring Gardens		
British Council	178	
Business rates		
Manchester City Council	322	
Westminster City Council	475	
NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions		
Department for International Development	206	
BNF funding		
Business Services Organisation, Northern Ireland	30	
NHS National Services, Scotland	41	
NICE funding from devolved administrations		
Department of Health, Social Services and Public Safety: Northern Ireland	79	

19. 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 22 June 2015.

---

20 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. Most 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.

---

21 MACHINERY OF GOVERNMENT

There were no machinery of government changes that impacted on NICE on 2014/15.

Contacting NICE

The contact details for NICE are:

National Institute for Health and Care Excellence
10 Spring Gardens
London SW1A 2BU

Telephone:	+44 (0)300 323 0140
Fax:	+44 (0)300 323 0148
Email:	nice@nice.org.uk
Website:	www.nice.org.uk

National Institute for Health and Care Excellence
Level 1A, City Tower
Piccadilly Plaza
Manchester M1 4BT

Telephone:	+44 (0)300 323 0140
Fax:	+44 (0)300 323 0149
Email:	nice@nice.org.uk
Website:	www.nice.org.uk

ISBN 978-1-4741-2223-8
9 781474 122238