



*National Institute for
Health and Clinical Excellence*

Annual Report and Accounts 2011/12

**National Institute for Health and
Clinical Excellence
(Special Health Authority)**

Annual Report and Accounts 2011/12

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of the National Health Service Act 2006

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Chair's and Chief Executive's foreword

As we reflect on another year of rapid change in the health and social care sector, we would like to once again recognise and pay tribute to the hard work and support of our staff, advisory bodies, stakeholders, contractors and everyone who has given their time to help us with our work. It is through their commitment and enthusiasm that we can continue to develop new services and ways of presenting our recommendations to help achieve the highest attainable standards of healthcare. We are extremely grateful for all their hard work.

During the course of the year we published 95 sets of recommendations, including:

- the first guidance from our diagnostics assessment programme
- public health guidance on preventing type 2 diabetes – one of the major health challenges facing today's society
- an updated clinical guideline on hypertension, which includes a new way to improve the diagnosis of patients.

With the integration of the National Prescribing Centre into NICE over the course of 2011/12, we now have a wealth of resources for helping the NHS optimise its use of medicines.

From April 2013, our remit will include producing guidance and advice for the social care sector. In preparation for this, we have been piloting the development of two social care quality standards, on dementia care and the health and wellbeing of looked-after children.

As the responsibility for commissioning high-quality care moves to the new NHS Commissioning Board and to local commissioning groups, we are set to play a significant role in the development of indicators for the new Commissioning Outcomes Framework (COF), which will help focus clinical commissioning groups on the priorities for improving standards of care.

We have begun to develop public health briefings to help local authorities as they prepare to take back the role of commissioning public health services from primary care trusts from April 2013. NICE public health briefings will make it easier for directors of public health, elected members and senior officers in local authorities to find out which public health actions are most effective while also providing the best value for money.

NICE recommendations can help cut down on ineffective practices – vital at a time when pressure is mounting on the health service to save billions through efficiency savings. Adding to our existing advice on the cost-effective use of new technologies, the first three sets of recommendations have been published from our diagnostics assessment programme, which will help the NHS adopt good value diagnostics more rapidly and consistently. Our first positive recommendation was for the use of four new-generation cardiac computed tomography (CT) scanners to help diagnose and manage patients with coronary artery disease who are difficult to image.

As the quantity and range of NICE products increases, so we are faced with the challenge of coming up with new ways of ensuring users of our guidance can identify, access and follow our recommendations. In response to requests from health professionals, we have developed a free NICE 'app' for use with smartphones that, for the first time, allows users to access recommendations from NICE wherever they are. We will add further 'apps' to cover medicines and prescribing information and other NICE products.

We hope that these initiatives and improvements will help those working in the NHS and wider community achieve the goal of delivering the highest attainable standards for health and social care and all this – and more – is available on our comprehensive online evidence resource, NHS Evidence.

Professor Sir Michael Rawlins Chair

Sir Andrew Dillon Chief Executive

Overview

WHO WE ARE

NICE was set up in 1999 as an independent organisation to reduce variation in the availability and quality of NHS treatments and care. We produce a range of evidence-based guidance and other products to provide clarity on the medicines, treatments, procedures and devices that offer the best quality and most cost-effective care for the NHS.

In 2011/12, we published 19 new clinical guidelines, 31 technology appraisals, guidance on 35 interventional procedures, guidance covering five medical technologies and two pieces of public health guidance. In addition, our diagnostic assessment programme produced guidance on three topics, and we also issued nine more quality standards.

Professor Sir Michael Rawlins is the Chair and Sir Andrew Dillon is Chief Executive.

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. It also contains the Medicines and Prescribing Centre, which is to continue the work of the National Prescribing Centre, and which joined NICE in 2011. The directorate is also responsible for distributing the British National Formulary medicines guide to the NHS.

CENTRE FOR PUBLIC HEALTH EXCELLENCE

This directorate develops guidance on the prevention of ill health. Its guidance is aimed at those working in the NHS, local authorities, the wider public, and private and voluntary sectors. Our public health guidance focuses on a particular topic (such as smoking), population (such as children), or setting (such as the workplace).

CENTRE FOR HEALTH TECHNOLOGY EVALUATION

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

The directorate also includes the Research and Development team, which helps to improve the methods that NICE uses to develop guidance and encourages partners to commission research relevant to our work.

COMMUNICATIONS DIRECTORATE

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

The NICE website has been updated to make it easier to search for guidance, and integrates recent digital developments such as NICE Pathways and the guidance web viewer. The website 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. We received more than 10.5 million visits to the site in 2011/12. A new NICE Guidance 'app' for smartphones allows all our guidance to be seen at a glance.

NICE employees spoke about our work at conferences in the UK and Europe. Audiences ranged from industry to local government and the charity sector. We also held an online web seminar on the forthcoming responsibilities for local government in public health.

WHERE DOES NICE GUIDANCE APPLY?

ENGLAND

Clinical guidelines
Technology appraisals
Medical technologies guidance
Diagnostic technologies guidance
Interventional procedures
Public health guidance
Quality standards

WALES

Clinical guidelines
Technology appraisals
Medical technologies guidance
Diagnostic technologies guidance
Interventional procedures

NORTHERN IRELAND

Clinical guidelines*
Technology appraisals*
Interventional procedures

* With advice from the Department of Health, Social Services and Public Safety

SCOTLAND

Multiple technology appraisals*
Interventional procedures

* Healthcare Improvement Scotland issues alerts to notify NHS Scotland of the publication of NICE Guidance and advise on its applicability to Scotland

HEALTH AND SOCIAL CARE DIRECTORATE

This is a new directorate that was formed in advance of NICE's move into social care. Following the Health and Social Care Act 2012, NICE's remit from April 2013 will include producing guidance and advice for the social care sector. The directorate now includes:

- The Quality Systems team, responsible for producing a range of products to improve quality within the NHS. This includes the programme for quality standards, which act as markers of high-quality, cost-effective patient care.
- The Accreditation Advisory Committee, which assesses the robustness of processes used for health and social care development.
- The NICE Fellows and Scholars Programme, which recognises the achievement and promise of NHS health professionals, contributes to their professional development, and fosters a growing network of health professionals linked to NICE who will help to improve the quality of care in their local areas.
- The Patient and Public Involvement Programme, which develops and supports opportunities to involve patients, carers and the public in NICE's work.

- The NICE implementation team, which develops tools and commissioning guides to help people put our guidance into practice, ensures intelligent dissemination to target audiences, actively engages with the NHS and works nationally to encourage a supportive environment. Our seven-strong team of implementation consultants work across England to ensure we respond to requests from each region.

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

Along with the communications team, the new directorate looks after NICE Pathways – an online tool that brings together all NICE guidance and associated products in an easy to access format.

EVIDENCE RESOURCES DIRECTORATE

The new Evidence Resources directorate manages the NHS Evidence service and the UK PharmaScan database. It also delivers a number of supporting functions to the rest of NICE.

NHS Evidence is a service provided by NICE to improve the use of and access to evidence-based information about health and social care, including primary research, summarised

evidence, medicines information, reports and practical evidence-based tools to support implementation.

NHS Evidence displays guidance formally accredited by the NICE accreditation programme. It also provides access to journals and electronic databases procured on behalf of NHS England. Finally, it houses the national QIPP (Quality, Improvement, Productivity and Prevention) database.

Evidence Resources is also responsible for UK PharmaScan, a horizon-scanning database populated by manufacturers with information on new medicines in development.

Within Evidence Resources, the Information Management and Technology team supports all NICE digital services, including the NICE website, NHS Evidence and developing mobile technology.

The Information Resources team provides access to quality information to support guidance development and other NICE programmes, identifying, selecting and appraising new evidence.

The Engagement and Management team is responsible for all user research activity conducted by NICE and also commissions and manages contracts for online content available to NHS England through NHS Evidence.

BUSINESS, PLANNING AND RESOURCES DIRECTORATE

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

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.

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 'only in research' recommendations.

NICE INTERNATIONAL

NICE International is dedicated to supporting other countries to use evidence-based decision making in healthcare policy.

In 2011/12, we worked on seven projects running across 14 countries. This included work with the Colombian government to help it design its own version of NICE; co-hosting Global Health 2011, an inaugural conference in London; and helping countries in South East Asia, Africa and Latin America identify and test innovative approaches to healthcare improvement.

In addition, NICE International has hosted 33 foreign delegations from 19 different countries, including six ministerial delegations.

About NICE

THE BOARD

The Board's membership in 2011/12 was:

- Professor Sir Michael Rawlins** Chair
- Dr Margaret Helliwell** Vice Chair
- Jenny Griffiths OBE** Non-Executive Director
- Professor David Hunter** Non-Executive Director
- Mercy Jeyasingham MBE** Non-Executive Director
- Professor Rona McCandlish** Non-Executive Director
- Andrew McKeon** Non-Executive Director
- Professor Patrick Morrison** Non-Executive Director
- Professor Helen Roberts** Non-Executive Director
- Linda Seymour** Non-Executive Director
- Jonathan Tross CB** Non-Executive Director
- Sir Andrew Dillon** Chief Executive
- Dr Gillian Leng CBE** Deputy Chief Executive and Director of Health and Social Care¹
- Ben Bennett** Business Planning and Resources Director
- Professor Peter Littlejohns²** Clinical and Public Health Director
- Professor Carole Longson³** Health Technology Evaluation Centre Director

1 From 12/3/12 Director of Health and Social Care

2 Left 31/12/11

3 Started 15/12/11

BOARD COMMITTEES

AUDIT COMMITTEE

The committee provides an independent and objective review of arrangements for internal control within NICE, including risk management. The members in 2011/12 were:

- Jonathan Tross CB*** Non-Executive Director
- Jenny Griffiths OBE** Non-Executive Director
- Professor Rona McCandlish** Non-Executive Director
- Professor Patrick Morrison** Non-Executive Director
- Professor Helen Roberts** Non-Executive Director

* Chair of the Committee

HUMAN RESOURCES COMMITTEE

The committee monitors and reviews NICE's human resources strategies and policies.

The members in 2011/12 were:

- Mercy Jeyasingham MBE*** Non-Executive Director
- Jenny Griffiths OBE** Non-Executive Director
- Linda Seymour** Non-Executive Director
- Ben Bennett** Business Planning and Resources 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 2011/12 were:

- Professor Sir Michael Rawlins** 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 NICE Senior Management Team in 2011/12 were:

- Sir Andrew Dillon** Chief Executive
- Dr Gillian Leng CBE** Deputy Chief Executive and Director of Health and Social Care¹
- Ben Bennett** Business Planning and Resources Director
- Professor Peter Littlejohns²** Clinical and Public Health Director
- Professor Carole Longson** Health Technology Evaluation Centre Director
- Professor Mike Kelly** Public Health Excellence Centre Director
- Dr Fergus Macbeth³** Clinical Practice Centre Director
- Jane Gizbert** Communications Director
- Alexia Tonnel⁴** Evidence Resources Director
- Christine Carson⁵** Acting Clinical Practice Centre Director

1 From 12/3/12 Director of Health and Social Care

2 Left 31/12/11

3 Left 29/02/12

4 Started 12/03/12

5 From 13/02/12 to 30/04/12

CITIZENS COUNCIL COMMITTEE

The committee, in consultation with the rest of NICE, decides the questions to be put to the Citizens Council. The members in 2011/12 were:

Professor Sir Michael Rawlins Chair

Mercy Jeyasingham MBE Non-Executive Director

Professor Helen Roberts Non-Executive Director

Professor Peter Littlejohns¹ Clinical and Public Health Director

Professor Carole Longson² Health Technology Evaluation Centre Director

¹ Left 31/12/11

² Started 15/12/11

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. While they may seek the views of organisations that represent healthcare professionals, patients and carers, manufacturers and government, their advice is independent of any vested interest. During 2011/12 they were:

- Diagnostics Advisory Committee, chaired by Professor Adrian Newland CBE
- Interventional Procedures Advisory Committee, chaired by Professor Bruce Campbell
- Medical Technologies Advisory Committee, chaired by Professor Bruce Campbell
- Accreditation Committee, chaired by Professor David Haslam
- Primary Care Quality and Outcomes Framework Indicator Advisory Committee, chaired by Dr Colin Hunter
- Public Health Interventions Advisory Committee, chaired by Professor Catherine Law OBE
- Technology Appraisal Committees, chaired by Dr Jane Adam, Dr Amanda Adler, Professor Peter Clark and Professor Andrew Stevens
- Internal Guideline Development Group, chaired by Damian Longson, Peter Barry and Gary McVeigh

INDEPENDENT ACADEMIC CENTRES

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

- Health Economics Research Unit and Health Services Research Unit, University of Aberdeen
- Liverpool Reviews and Implementation Group, University of Liverpool
- School of Health and Related Research (SchARR), University of Sheffield
- NHS Centre for Reviews and Dissemination, University of York
- Peninsula Technology Assessment Group (PenTAG), Peninsula Medical School, Universities of Exeter and Plymouth
- Southampton Health Technology Assessment Centre (SHTAC), University of Southampton
- Kleijnen Systematic Reviews Ltd
- BMJ Technology Assessment Group (BMJ-TAG), BMJ Evidence Centre
- 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 Excellence in 2011/12 worked with the following organisations:

- Centre for Public Health, Liverpool John Moores University
- London School of Hygiene and Tropical Medicine at the University of London
- Cedar, Cardiff and Vale University Local Health Board (UHB)
- Support Unit for Research Evidence (SURE), Cardiff University
- School of Health and Related Research (SchARR), University of Sheffield
- Matrix Insight
- National Centre for Smoking Cessation and Training

REVIEW BODY FOR INTERVENTIONAL PROCEDURES

We commission an independent review body to carry out a systematic review when more information is needed before guidance can be developed on an interventional procedure. The review body is a joint venture between the Health Services Research section at the School of Health and Related Research, University of Sheffield, and the Health Services Research Unit at the University of Aberdeen.

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

PUBLIC HEALTH COLLABORATING CENTRES

The Public Health Collaborating Centres (PHCCs) undertake reviews of the evidence and economic analyses for consideration by the Public Health Interventions Advisory Committee (PHIAC) or a programme development group. In 2011/12, the PHCCs were:

- School of Health and Related Research (ScHARR), University of Sheffield
- Peninsula Technology Assessment Group (PenTAG), Institute for Health Services Research, Peninsula Medical School, Universities of Exeter and Plymouth.

EVIDENCE HUBS

Two teams of information specialists, one internal and the other external, identify, select and add content to NHS Evidence, using an automated or manual 'ingestion process'. The process undertaken by NHS Evidence to select and add content to the portal is described in a new NHS Evidence Process and Methods manual, now available on the NHS Evidence website. These two teams also support the Evidence Updates work programme.

Management commentary

CURRENT AND FUTURE DEVELOPMENTS

During 2011/12, NICE continued to expand its outputs and activities by:

- publishing the first set of diagnostics guidance
- beginning the development of the Commissioning Outcomes Framework indicators for the NHS in England
- continuing the development of the Quality and Outcomes Framework indicators for the NHS
- publishing more guidance on clinical and public health topics
- developing and launching the interactive NICE Pathways
- extending our digital service to provide 'apps' for mobile devices
- incorporating the National Prescribing Centre into NICE from Liverpool PCT
- starting a pilot for two social care standards.

These increases in activity were achieved within a reducing resource base. As part of the government's drive to reduce public spending, NICE's grant-in-aid funding fell by 11% to £65.1 million in 2011/12 (from £73.4 million in 2010/11). This was achieved by an organisation-wide review of costs. Key to achieving the cost improvements have been implementing process efficiencies, deriving better value from external contracts and locating operations in the North West, where costs are lower.

In April 2011, the National Prescribing Centre (NPC) and the National Electronic Library for Medicines (NeLM) transferred into NICE. Funding for this work and the new Commissioning Outcomes Framework totalled £3.1 million. This brought the total grant-in-aid funding in 2011/12 to £68.2 million.

The total number of budgeted employees rose to 570 whole-time equivalent (wte) posts (552 wte in 2010/11). The reason for the increase

was due to 28 staff transferring into NICE with the NPC, plus four new employees associated with the Commissioning Outcomes Framework. Due to the reduction in funding, 14 posts were removed from the budget, all of which were vacant posts that had been left unfilled following the expansion of NICE in previous years.

Information on NICE's objectives for 2011/12 is contained in the Chief Executive's report, and objectives up to 2015 are included in the business plan, both available from our website, www.nice.org.uk/aboutnice/whoweare/board/boardmeetings

Further significant reductions in NICE's grant-in-aid funding have been confirmed over the next two financial years. The business plan for 2012/13 addresses the reduced indicative funding allocations NICE expects to receive, delivering efficiencies in a way that meets the savings targets set by the Department of Health without compromising the quality and quantity of its outputs.

From 1 April 2012, NICE will host the National Clinical Assessment Service (NCAS). This service is transferring into NICE from the National Patient Safety Agency, which has been disestablished. However, this arrangement is for an interim period of one year and NCAS will transfer out of NICE to its permanent home on 31 March 2013. There are a number of risks associated with this transfer, which are noted in the risk register and are being monitored at Board level.

FINANCIAL OVERVIEW

Total net expenditure for 2011/12 was £59.2 million (£61.5 million in 2010/11), which was an underspend of £11.0 million against a revenue resource limit of £70.2 million (there was an £11.4 million underspend against a £72.8 million limit in 2010/11). This position is net of some variances against the original

plan. The underspend is largely a result of NICE finding efficiencies and not committing to new recurrent expenditure in preparation for future reductions to its grant-in-aid budget.

The other major factor contributing to the underspend is ongoing public sector spending restrictions, in particular the recruitment and communications expenditure restrictions announced by the government in May 2010. Although NICE received permission from the Department of Health to fill some of the new posts in the business plan, restriction to the approved recruitment pool, capacity within the staged recruitment process, and internal movement of staff have meant that the pace of recruitment has been slow.

At 31 March 2012 there were 93 vacant posts, although many of the business critical posts have been covered by temporary/agency staff for which Department of Health permission has been received. Recruitment slippage has had a consequential impact on some non-pay costs, particularly in the guidance-producing programmes. Additional spending restrictions on communications and marketing activity also reduced non-pay expenditure.

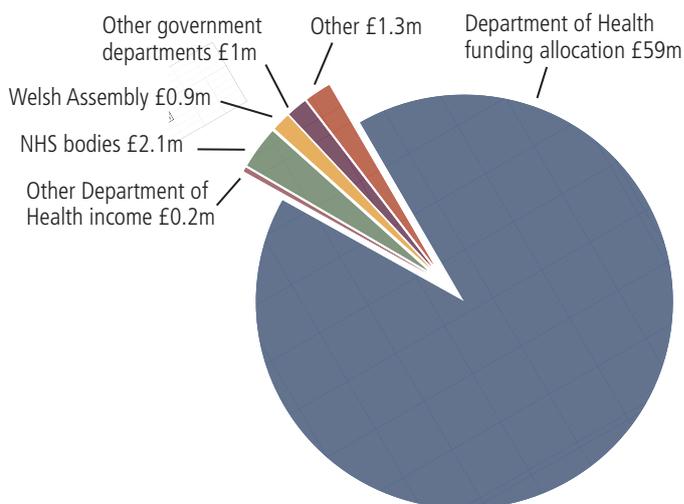
The capital budget during 2011/12 was £0.4 million, of which NICE used £0.2 million to purchase additional electronic storage and improve the uninterruptable power supply in the Manchester office. Building improvements were carried out in Manchester to improve security and minor improvements were made to the air conditioning and toilet facilities.

HOW IS NICE FUNDED?

NICE's revenue resource limit for 2011/12 was £70.2 million. This comprised:

- £68.2 million grant-in-aid funding (Administration/Programme* cash revenue limit)
- £0.7 million ring-fenced depreciation limit (non-cash funding)
- £1.3 million – Annually Managed Expenditure (AME) limit (non-cash funding).

Figure 1: Income breakdown (£m)



In addition to the revenue resource limit, NICE's capital resource limit was £0.4 million. The actual amount of funding drawn down by NICE in 2011/12 was £59 million. This was much lower than the amount available because of the underspends noted above.

In addition to the funding received from the Department of Health, NICE also received £5.4 million operating income from other sources, as follows:

- £2.1 million was received from NHS bodies (the majority of which was from Strategic Health Authority Library Leads (SHALL) to pay for content on the NHS Evidence website)
- £1.9 million was received from the devolved administrations and other government departments to contribute to the cost of producing NICE guidance and publication of the British National Formulary
- Trading activities such as NICE International and the Scientific Advice programme generated £1.2 million gross income
- £0.2 million was received from other sources.

Figure 1 above shows the breakdown of income received.

* For an explanation of Administration and Programme costs see note 7, page 45

HOW THE FUNDING WAS USED

Figure 2 shows how the money was spent in 2011/12. The main areas of expenditure were external contracts and salaries. Major external contracts were in place with:

- National Collaborating Centres, which help us to produce clinical guidelines and public health guidance
- The Royal Pharmaceutical Society of Great Britain and BMJ Publishing Group Ltd to publish the 'British National Formulary'
- External Assessment Centres to assist in providing medical technologies guidance
- Content providers supplying resources that are hosted on NHS Evidence on behalf of Strategic Health Authority Library Leads (SHALL).

PROGRAMME COSTS

Figure 3 shows how the spending was split between NICE's work programmes and the support functions.

PENSIONS

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

HEALTH AND SAFETY

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

EMPLOYEE INVOLVEMENT

We work closely with our staff to inform them of important developments and to involve them in the development of policy and strategy. Arrangements for doing so include a staff involvement forum and formal consultation on major changes. Internal communication is maintained by team briefings, monthly all-staff meetings and regular updates and newsletters.

Figure 2: Gross expenditure breakdown (£m)

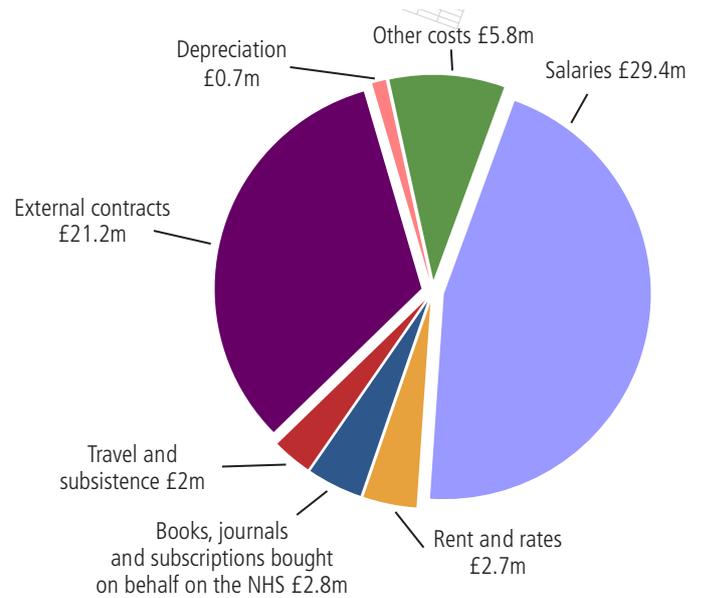
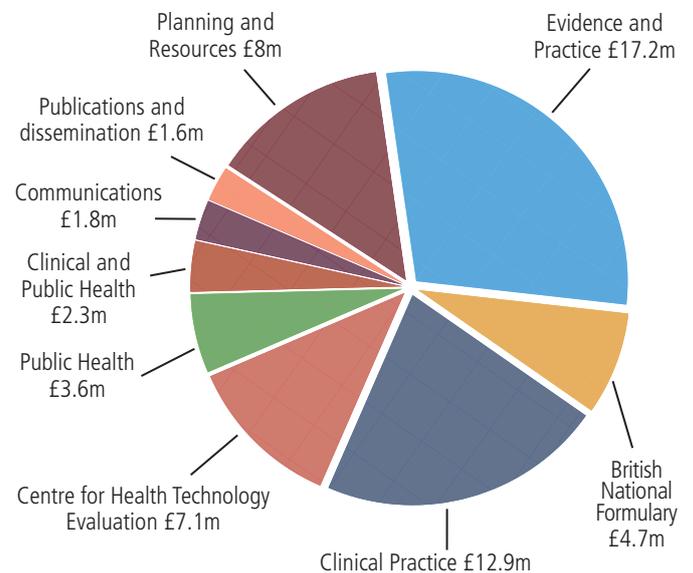


Figure 3: Net work programme costs (£m)



SUSTAINABLE DEVELOPMENT

NICE established a Green Group in 2007. The aims were to reduce waste, improve recycling and increase the use of fair trade products. The work of the group has continued to grow, and membership has expanded across the sites. The group produced a sustainability development plan, which we are implementing.

Efforts are focused on areas where the carbon impact is most significant. These include:

- Electricity usage
- Staff and non-staff business travel
- Printing of guidance and the British National Formulary (BNF)
- Office waste and recycling

NICE continues to strive to reduce its carbon impact and aims for a 10% reduction in carbon emissions each year as set out in the 10:10 initiative.

The waste target identified in 2010/11 was to recycle at least 45% of all office waste, which NICE has again achieved this year. NICE also has internal targets to reduce the amount of printing as part of its digital dissemination strategy and has achieved a 41% reduction in print-related carbon emissions in 2011/12.

Several initiatives are underway to reduce electricity consumption in our offices. These include ensuring that air conditioning systems are properly maintained, reducing the hours that air conditioning operates, adjustments to lighting sensors, increasing awareness of the

need to save energy and working with landlords to ensure electricity usage and billing are as efficient as possible.

A refurbishment of the lighting in the Manchester office has been completed to reduce the power usage from the older, less efficient light bulbs.

IT equipment is also a significant consumer of electricity but consumption has been held steady despite an increase in staff. This is due, for example, to the continued roll-out of lower power 'thin' units and monitors.

NICE's performance is summarised in tables 1–3 and figure 4. NICE has followed guidance set out in the 2011/12 HM Treasury guidance, and any exceptions are listed below:

- Financial information was not available for individual elements making up total business travel. NICE will request this information from suppliers going forward
- Financial information was not available for office estate waste as the cost is included in office cleaning and maintenance contracts, where this element is not differentiated.
- NICE has recently implemented the monitoring of waste weight and how much is recycled, which will be a much more accurate method going forward. Future reports will detail the weight, rather than the number of bags
- NICE currently has no scope 1 carbon emissions, which refers to sources owned by the organisation such as boilers and organisation-owned fleet vehicles.

Table 1: Sustainable development – summary of performance

Activity		2011/12
Business travel including international air travel (miles)		2,727,050
Office estate energy	Consumption (kWh)	1,137,407
	Expenditure (£)	£117,996
Office estate waste	Consumption (bags)	6,601
Printing	Paper (tonnes)	340
	Expenditure (£)	£181,215

Table 2: Estimated carbon emissions

Activity	2011/12		2010/11	
	Outturn	Carbon tonnes	Outturn	Carbon tonnes
Train travel (miles)	1,850,593	168	1,651,700	150
Air travel (miles)	876,457	197	982,817	216
Scope 2¹ total		366		365
Electricity (kWh)	1,137,407	694	1,146,867	699
Printing (tonnes)	340	1,023	577	1,739
Scope 3² total		1,717		2,438
Total		2,082		2,804

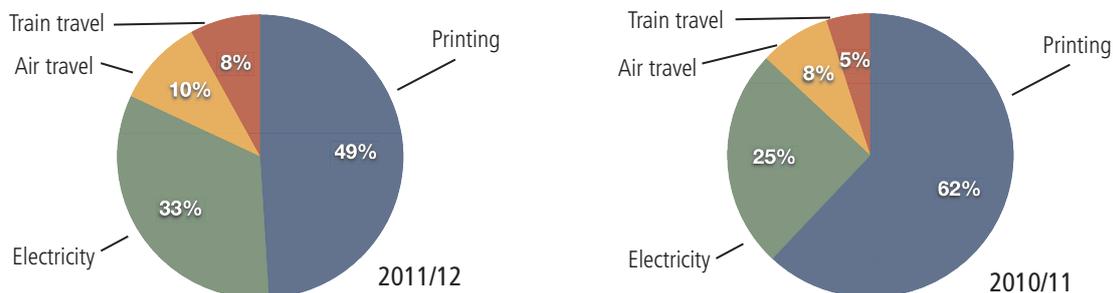
¹ Scope 2 emissions relate to official business travel paid for by NICE

² Scope 3 emissions relate to energy consumed that is supplied by another party

Table 3: Waste

	2011/12	2010/11
Total non-recycled (bags)	3,220	2,794
Total recycled (bags)	3,381	3,499
Total waste (bags)	6,601	6,293
Of which recycled	51%	56%

Figure 4: Activities contributing to greenhouse gas emissions



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 2011/12	5,586	40,969
Total non-NHS bills paid within target	5,521	40,228
Percentage of non-NHS bills paid within target	98.8%	98.2%
Total NHS bills paid 2011/12	192	2,450
Total NHS bills paid within target	186	2,346
Percentage of NHS bills paid within target	96.9%	95.8%

The amount owed to trade creditors at 31 March, in relation to the total billed through the year expressed as creditor days, is 8 days.

EQUALITY AND DIVERSITY

We are committed to eliminating unlawful discrimination, advancing equality of opportunity, and fostering good relations among people from different groups. We have an Equality and Diversity policy and an equality scheme that ensures compliance with all relevant legislation and practice, including the Equality Act 2010. All staff are required to attend equality and diversity training every three years. In addition, staff involved in developing guidance receive training in NICE's approach to equality analysis.

We are also committed to ensuring that all sections of society have the opportunity to be considered for the appointments we make and therefore operate a guaranteed interview scheme for disabled applicants. As well as being fair, we believe that the quality of those appointed will improve if we are able to draw from the widest possible pool of talent.

We make reasonable adjustments for disability – for example, with flexible working arrangements, working from home and adaptations to the working environment. Our flexible working arrangements are also above the requirements under current employment legislation.

We produce an equal opportunities report each year for the Secretary of State for Health that systematically monitors adherence to employment legislation on equality and diversity.

Equality analysis in the development of NICE guidance is essential to achieving compliance with the Equality Act's public sector equality duty and ensuring that, wherever there is sufficient evidence, NICE's recommendations support the efforts of local and national commissioners and professionals to meet their equality obligations. We also aim for diversity in the membership of the independent advisory bodies responsible for developing guidance, and we provide chairs and members with training in NICE's equality analysis process.

We complied with new regulations under the Equality Act by using our annual equality report for 2011 to publish information about the effect on equality of our policies and practices, and by subsequently publishing our equality objectives for the period 2012 to 2016. As in previous years, we consulted with the Equality Forum, an annual meeting of people from equality groups that advises our Board on the development and implementation of our equality programme.

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 the Information Commissioner's guidance.

SICKNESS ABSENCE

During the 2011/12 the percentage of days lost due to sickness was 2.05% (2010/11: 1.90%).

STATUTORY FRAMEWORK

The accounts for the year ending 31 March 2012 have been prepared in accordance with the direction given by the Secretary of State for Health in accordance with the NHS Act 2006 and in a format determined by the Department of Health with the approval of the Treasury.

NICE was 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 to the Secretary of State for Health and the Welsh Assembly Government.

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposed the dissolution of NICE as a Special Health Authority, followed by the creation of a new body – the National Institute for Health and Care Excellence (NICE) as a Executive Non-Departmental Public Body (NDPB). The Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act (2012).

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

OTHER INFORMATION

NICE is not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.

AUDITORS

The auditors carried out only standard audit work, and received no additional payments. The audit fee for 2011/12 was £54,500 and includes travel and subsistence costs.

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The Audit Certificate can be found on pages 31 to 32. The Comptroller and Auditor General is Amyas CE 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 12 June 2012

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

Remuneration report

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

The salaries of the three consultant clinicians are subject to direction from the Secretary of State and the remuneration of the Chief Executive is subject to approval by the Department of Health. The remuneration committee monitors the pay of senior managers in accordance with Department of Health guidance.

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

PERFORMANCE APPRAISAL

For all senior managers below executive director level, NICE complies with – and follows the procedures as set out in – the NHS National Terms and Appraisal of Service (Agenda for Change). A personal objective-setting process is managed by line managers. This links into the annual appraisal and review process and supports the Knowledge and Skills Framework.

Executive Directors take the lead on this process within the areas they are responsible for. They are also subject to performance review, in line with the Very Senior Managers' Pay Framework. Performance-related bonuses are available to Very Senior Managers, as detailed in the Remuneration Report.

TERMS AND CONDITIONS: CHAIRS AND NON-EXECUTIVES

For chairs and non-executive members of the National Institute for Health and Clinical Excellence the terms and conditions are laid out below.

STATUTORY BASIS FOR APPOINTMENT

Chairs and non-executive members of special health authorities hold a statutory office under the National Health Service Act 1977. Their appointment does not create any contract of service or contract for services between them and the Secretary of State 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 Appointments Commission will usually consider afresh the question of who should be appointed to the office. However, the Appointments Commission 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 ten 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 or the Appointments Commission. Their appointment will also be terminated if, in accordance with regulations, they become disqualified for the post. In addition, the Appointments Commission 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 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 no longer be in the interests of the health service for the appointee to continue in office. The list is not exhaustive or definitive; the Appointments Commission 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 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 Appointments Commission 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

NHS boards are required to adopt the Codes of Conduct and Accountability, published in April 1994. 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 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

Name	Title	2011/12			2010/11		
		Salary (bands of £5,000) £000	Other remuneration including bonus payments (bands of £5,000) £000	Benefits in kind (rounded to the nearest £00)	Salary (bands of £5,000) £000	Other remuneration including bonus payments (bands of £5,000) £000	Benefits in kind (rounded to the nearest £00)
Prof Sir Michael Rawlins	Chair	60 to 65	nil	nil	60 to 65	nil	nil
Dr Margaret Helliwell	Vice Chair	5 to 10	nil	nil	5 to 10	nil	nil
Mercy Jeyasingham MBE	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Prof Helen Roberts	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Jenny Griffiths OBE	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Jonathan Tross CB	Non-Executive Director	10 to 15	nil	nil	10 to 15	nil	nil
Prof Rona McCandlish	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Prof Patrick Morrison	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Andrew McKeon (1)	Non-Executive Director	0 to 5	nil	nil	5 to 10	nil	nil
Prof David Hunter	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Linda Seymour	Non-Executive Director	5 to 10	nil	nil	5 to 10	nil	nil
Sir Andrew Dillon	Chief Executive	180 to 185	nil	nil	180 to 185	5 to 10	nil
Prof Peter Littlejohns (2)	Clinical & Public Health Director	140 to 145	nil	nil	175 to 180	nil	nil
Dr Fergus Macbeth (3)	Clinical Practice Centre Director	85 to 90	nil	nil	160 to 165	nil	nil
Dr Gillian Leng CBE (4)	Deputy Chief Executive and Evidence and Practice Director	160 to 165	nil	nil	170 to 175	nil	nil
Dr Gillian Leng CBE (5)	Deputy Chief Executive and Director of Health and Social Care	5 to 10	nil	nil	nil	nil	nil
Prof Carole Longson	Health Technology Evaluation Centre Director	125 to 130	nil	nil	125 to 130	0 to 5	nil
Prof Michael Kelly	Public Health Excellence Director	105 to 110	nil	nil	105 to 110	0 to 5	nil
Ben Bennett	Business Planning and Resources Director	115 to 120	nil	nil	115 to 120	0 to 5	nil
Jane Gizbert	Communications Director	105 to 110	nil	nil	105 to 110	0 to 5	nil
Val Moore (6)	Interim Implementation Director	nil	nil	nil	95 to 100	0 to 5	nil
Christine Carson (7)	Acting Clinical Practice Centre Director	10 to 15	nil	nil	nil	nil	nil
Alexia Tonnel (8)	Evidence Resources Director	5 to 10	nil	nil	nil	nil	nil

(1) Unpaid Non-Executive Director from 01/05/2011

(2) Left 31/12/2011; post closed

(3) Left 29/02/2012 and CEA award ceased from 01/04/2011; post filled by Acting Clinical Practice Centre Director

(4) Evidence and Practice Director post closed 11/03/2012

(5) Appointed Director of Health and Social Care 12/03/2012

(6) End of Interim Director of Implementation 30/06/2010, full-year values stated

(7) Appointed Acting Clinical Practice Centre Director 13/02/2012, part-year values stated

(8) Appointed Evidence Resources Director 12/03/2012, part-year values stated

PENSION BENEFITS – SENIOR MANAGEMENT

Name	Title	Real increase in pension at 60 (bands of £2,500) £000	Lump sum at age 60 related to real increase in pension (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2012 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2012 £000	Cash Equivalent Transfer Value at 31 March 2011 £000	Real increase in Cash Equivalent Transfer Value £
Sir Andrew Dillon	Chief Executive	(0 to 2.5)	(5 to 7.5)	80 to 85	250 to 255	1,841	1,714	38,041
Prof Peter Littlejohns (1)	Clinical & Public Health Director	2.5 to 5	7.5 to 10	75 to 80	225 to 230	1,606	1,399	134,251
Dr Gillian Leng (2,3)	Deputy Chief Executive and Director of Health and Social Care	(0 to 2.5)	(0 to 2.5)	45 to 50	135 to 140	845	738	69,247
Prof Carole Longson	Health Technology Evaluation Centre Director	0 to 2.5	2.5 to 5	15 to 20	50 to 55	319	260	45,853
Prof Michael Kelly	Public Health Excellence Director	(0 to 2.5)	(2.5 to 5)	45 to 50	140 to 145	1,115	1,062	(2,027)
Ben Bennett	Business Planning and Resources Director	(0 to 2.5)	(0 to 2.5)	40 to 45	125 to 130	766	671	60,045
Dr Fergus Macbeth (4)	Clinical Practice Centre Director							
Jane Gizbert	Communications Director	0 to 2.5	0	5 to 10	0	85	54	28,807
Christine Carson (5)	Acting Clinical Practice Centre Director	(0 to 2.5)	(0 to 2.5)	30 to 35	95 to 100	624	559	35,183
Alexia Tonnel (6)	Evidence Resources Director	0 to 2.5	0	0 to 5	0	1	0	892

(1) Left 31/12/2011; post closed

(2) Evidence and Practice Director post closed 11/03/2012

(3) Appointed Director of Health and Social Care 12/03/2012

(4) Left 29/02/2012 and CEA award and pension benefits ceased from 01/04/2011; post filled by Acting Clinical Practice Centre Director

(5) Appointed Acting Clinical Practice Centre Director 13/02/2012

(6) Appointed Evidence Resources Director 12/03/2012

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 2011/12 was £180k–£185k (2010/11: £185k–£190k). This was 4.5 times (2010/11: 4.7) the median remuneration of the workforce, which was £40,157 (2010/11: £39,567). In 2011/12, no employees (2010/11: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8k to £174k (2010/11, £8k–£175k)

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

Other information about pay includes:

- the highest-paid director remuneration was less in 2011/12 than in 2010/11
- senior managers are subject to a pay freeze with no bonuses being made during 2011/12
- median pay was higher in 2011/12 than in 2010/11. This is due to incremental increases in pay for those staff who have not reached the top of their pay band
- all staff pay is subject to pay freezes in relation to inflationary increases
- staff numbers increased from 478 in 2010/11 to 508 in 2011/12; the composition of permanent and other staff can be seen in note 3 of the accounts.

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the Pension Scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the Scheme. A CETV is a payment made by a

Pension Scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

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

REAL INCREASE IN CETV

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

Signed
Sir Andrew Dillon
Chief Executive and Accounting Officer
12 June 2012

ACCOUNTS 2011/12

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

Under the National Health Service Act 2006, the Secretary of State with the approval of HM Treasury has directed the National Institute for Health and Clinical 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, 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 Clinical 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
12 June 2012

Governance statement 2011/12

1. 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 policies, aims and objectives while safeguarding the public funds and the departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

NICE works closely with its sponsor branch at the Department of Health and with the Welsh Assembly Government and there are arrangements in place for regular performance monitoring and review.

2. THE GOVERNANCE FRAMEWORK OF THE ORGANISATION

The management structure of NICE consists of a Board of 11 non-executive and 4 executive members, with a balance of skills and experience appropriate to its responsibilities to provide leadership and strategic direction for the organisation. The Board is collectively accountable for ensuring a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that system. The non-executive directors were appointed by the Appointments Commission.

In 2011/12, all executive and non-executive directors had an annual review of their performance.

Each public Board meeting considers a report 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 the main developments in NICE business, reports from all directors on activity within their departments and key governance reports. These include those referred to the Board from the Board committees. All papers are reviewed by the Senior Management Team

before submission to the Board for scrutiny and consideration.

I am accountable to the Board for maintaining a sound system of internal control that supports the achievement of NICE's policies, aims and objectives while safeguarding public funds. These responsibilities are discharged via the Senior Management Team of NICE directors.

The Senior Management Team gives effect to the decisions of 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 and maintaining good communications with the public, the NHS and industry.

Three Board committees dealing with audit and risk management, human resources and remuneration scrutinise specific business areas on behalf of the Board.

The Audit Committee's chief function is to advise the Board 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 securing economy, efficiency and effectiveness in the way it goes about its work. The Audit Committee meets four times a year and has received reports from Internal Audit in a range of areas. It has

drawn particular assurance from the positive reports on financial management and control, the project management of key developments and the effectiveness of risk management arrangements. The overall opinion of the Audit 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.

The Human Resources Committee meets three times a year and monitors the implementation of HR strategies agreed by the Senior Management Team and the Board and ensures there is consistency and coherence in the strategic management of HR matters. The committee receives information on human resources issues prior to submission to the Board, reviews responses to the staff survey and supports the development of the overall HR management plan. The committee considered key workforce developments and employment trends during the year as part of its remit.

The Remuneration and Terms of Services Committee normally meets annually according to business need. It did not meet in 2011/12.

The Board held six public and six strategy meetings in 2011/12 and attendance was between 80 and 100%.

The Audit Committee held four meetings in 2011/12 and attendance was between 80 and 100%.

The Human Resources Committee held three meetings in 2011/12 and attendance was between 75 and 100%.

The Board held a two-day meeting in October 2011 where it developed the strategy for NICE for 2012/13 and also reviewed how it functioned and how it will manage its transition to become an Executive Non-Departmental Public Body.

The Senior Management Team and the Board Secretary are responsible for ensuring that detailed information is provided to Board members in advance of any scheduled Board meeting. This information enabled the Board to discharge their responsibilities effectively. Throughout the year, the Board reviewed how it functioned, and where necessary, improvements were made to the structure and format of meetings as well as the information provided to the Board.

I have reviewed NICE's general compliance with the Code of Practice on Corporate Governance and I am satisfied NICE meets all its significant provisions so far as they apply to NICE.

3. RISK ASSESSMENT

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

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

Managers assess risks to their business objectives, establish controls to mitigate them and provide assurance to the Audit 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.

An information risk assessment is completed each year and reported to the Audit Committee for review. There were no Serious Untoward Incidents involving sensitive personal data during 2011/12 and the overarching information risk is considered low. However, the Audit Committee considered three incident reports relating to disclosure of other confidential information.

The first related to a static IP address on a NICE development website from which an individual could be identified. The second concerned commercial-in-confidence information posted briefly on the NICE website. The third related to commercial-in-confidence information sent to the wrong NICE advisory committee members. In all cases management action was promptly taken to strengthen controls and the residual risk is considered low.

4. 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 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 resources.

Where appropriate, local risk registers are maintained within programmes and significant issues escalated through the reporting process for Senior Management Team and Audit Committee scrutiny. A separate risk assessment exercise was carried out to establish the Board's assurance framework and to identify areas of organisational risk. This included a review of NICE's systems, equipment, policies, premises and information governance.

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 Committee. The minutes of the meetings of the Audit Committee are received by the Board at its public meetings.

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

The system of internal control has been in place at NICE for the year ended 31 March

2012 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. NICE's Assurance Framework includes the identification and documentation of risks that are drawn from the business planning processes. These are monitored through Senior Management Team meetings, the Audit Committee and by the Board.

5. REVIEW OF THE EFFECTIVENESS OF 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 of the effectiveness of the system of internal control 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 and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan is in place to address weaknesses identified and to ensure continuous improvement of the system.

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 Committee, to review the design and operation of the systems of corporate governance and internal financial control. Where weaknesses have been identified these are reported to the Audit Committee and an action plan agreed with management to implement the recommendations agreed as part of this process.

In 2011/12 Internal Audit produced nine assessments and one advisory report. Six of the assessments provided substantial assurance that the controls NICE relies on to manage risk

are suitably designed, consistently applied and effective. The remaining three reports provided reasonable assurance that the controls relied on were effective. For the latter, Internal Audit have identified issues that, if not addressed, increase the likelihood of the risk materialising.

Progress in managing and strengthening these issues is monitored throughout the year through formal follow-up reports that are considered at each Audit Committee meeting. They are also subject to formal re-assessment by internal auditors.

Internal Audit made a number of observations in their most recent advisory report on risk maturity and, where supported by the Audit Committee, these will be incorporated into future work as part of a continuing process of strengthening and refinement of the risk management process. This will ensure future assessments by internal auditors match their previous assessment of risk maturity at NICE as 'risk managed' – an enterprise-wide risk management approach that considers risk at the highest level but which could be further embedded in decision making.

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 Opinion states: *'Based on the work undertaken in 2011/12 to date, significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.'*

INFORMATION GOVERNANCE

The work that government has done on best practice to ensure the security of personal data held by government departments and arms length bodies has been reported to the Audit Committee and the Board. NICE does

not handle sensitive personal data in medical records as part of its general functions. 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 is implementing guidance from the Department of Health on information governance on a risk-assessed basis, which will be reported to the Audit 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 Committee.

Policies and procedures for managing the security of personal data are being reviewed in light of guidance from the Department of Health and these will underpin the standards for information governance. Staff have been reminded of what to be alert for in the handling of sensitive personal data as defined by the Department of Health and training will be provided for key personnel 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 a three-year digital strategy to support all aspects of information management at NICE.

PENSIONS

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer contributions and payments into the Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in regulations.

CARBON REDUCTION

Carbon reduction delivery plans are in place. NICE is participating in the 10:10 initiative and has committed itself to aiming for a reduction in its carbon emissions of 10% each year. Progress is monitored and reported to the Board (for further information see the 'sustainable development' section on page 15).

6. SIGNIFICANT ISSUES

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

- The challenge of continuing to deliver an expanding programme of work with reduced resources in a complex and changing environment.
- The reputational risks associated with work which has a significant impact on the NHS and, from 2013, in social care as well. These risks are mitigated by the application of a set of principles which govern our work in developing guidance and advice, including the use of a comprehensive evidence base, genuine engagement and consultation with external partners and the public, and robust methods and processes.
- The move to shared services, with other national agencies in health, in areas such as HR and procurement, will challenge NICE to seek new ways of delivering our existing successful services.
- The transition from being a Special Health Authority to Executive Non-Departmental Public Body status presents some risks. Comprehensive project plans are in place and these are regularly reviewed by the Senior Management Team and Board.
- NICE is hosting the National Clinical Assessment Service during 2012/13 before it is transferred to its permanent home in April 2013. Governance arrangements are in place to manage the organisation during the hosting period and there is close liaison between senior management in NICE and NCAS to identify and resolve any emerging issues. The planned arrangements have been subject to Audit Committee discussion

and Internal Audit will report in due course on the adequacy of the design and implementation of the governance and control arrangements.

- The need to prepare to move from our present premises in London which will have transitional cost implications and carry the risk of disruption to our business. Detailed project management plans are in place to facilitate the move to new premises once these are identified to ensure minimal disruption to our business.
- We are continuing to pursue a strategy of 'digital enablement', which will secure our ability to use a full range of electronic media to develop and disseminate our guidance and advice. NICE is developing a digital strategy to provide coherence and focus to this work, which will be approved by the Board and monitored by the Senior Management Team.

Sir Andrew Dillon
Chief Executive and Accounting Officer
12 June 2012

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 Clinical Excellence for the year ended 31 March 2012 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE 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 are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Institute for Health and Clinical 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 Clinical 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. 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 Clinical Excellence's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and 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 National Health Service Act 2006; and
- the information given in the Management Commentary 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.

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

Dated: 25 June 2012

Financial statements 2011/12

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2011/12 £000	Restated 2010/11 £000
Expenditure			
Staff costs	3	29,397	26,967
Depreciation & amortisation	4	681	645
Other expenditures	4	34,539	38,942
		<u>64,617</u>	<u>66,554</u>
Income			
Income from activities	6	(5,441)	(5,079)
Other income	6	0	0
		<u>(5,441)</u>	<u>(5,079)</u>
Total Comprehensive Expenditure for the year ended 31 March 2012		<u>59,176</u>	<u>61,475</u>

The notes at pages 37 to 55 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Notes	31 March 2012 £000	Restated 31 March 2011 £000	Restated 31 March 2010 £000
Non-current assets				
Property, plant and equipment	8	1,684	1,986	2,277
Intangible assets	8	83	245	267
Non-current receivables	9	0	0	0
Total non-current assets		1,767	2,231	2,544
Current assets				
Trade and other receivables	9	2,494	1,716	1,616
Other current assets	9	2,774	1,474	1,489
Cash and cash equivalents	10	387	563	175
Total current assets		5,655	3,753	3,280
Total assets		7,422	5,984	5,824
Current liabilities				
Trade and other payables	11	(2,357)	(1,703)	(2,564)
Total current liabilities		(2,357)	(1,703)	(2,564)
Non-current assets less net current liabilities		5,065	4,281	3,260
Non-current liabilities				
Provisions for liabilities and charges	12	(2,006)	(1,046)	(1,349)
Total non-current liabilities		(2,006)	(1,046)	(1,349)
Assets less liabilities		3,059	3,235	1,911
Taxpayers' equity				
General fund		2,991	3,154	1,822
Revaluation reserve		68	81	89
		3,059	3,235	1,911

The financial statements were approved by the Board on 8 June 2012 and signed by

Sir Andrew Dillon, Accounting Officer

12 June 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2011/12 £000	Restated 2010/11 £000
Cash flows from operating activities			
Net surplus after cost of capital and interest		(59,176)	(61,475)
Adjustments for non-cash transactions	4	1,809	1,015
(Increase)/Decrease in trade and other receivables		(2,078)	(85)
Increase/(Decrease) in trade and other payables		597	(894)
Use of provisions	12	(168)	(673)
Net cash flows from operating activities		(59,016)	(62,112)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(160)	(169)
Purchase of intangible assets	8	0	(130)
Net cash outflow from financing activities		(160)	(299)
Cash flows from financing activities			
Net Parliamentary funding		59,000	62,799
Net financing		(176)	388
Net increase/(decrease) in cash equivalents in the period		(176)	388
Cash and cash equivalents at the beginning of the period		563	175
Cash and cash equivalents at the end of the period		387	563

The notes at pages 37 to 55 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2012

	General ¹ fund £000	Revaluation ² reserve £000	Total reserves £000
Restated balance at 1 April 2010	1,822	89	1,911
Restated changes in taxpayers' equity for 2010/11			
Funding from parent	62,799		62,799
Transfers between reserves	8	(8)	0
Comprehensive expenditure for the year	(61,475)		(61,475)
Movements in reserves	0	0	0
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2011	3,154	81	3,235
Changes in taxpayers' equity for 2011/12			
Funding from parent	59,000		59,000
Transfers between reserves	13	(13)	0
Comprehensive expenditure for the year	(59,176)		(59,176)
Movements in reserves	0	0	0
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2012	<u>2,991</u>	<u>68</u>	<u>3,059</u>

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 Parliamentary funding provided.

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

Notes to the accounts

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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

The Health and Social Care Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act. NICE's status will change on 1 April 2013 from that of a Special Health Authority to a Non Departmental Public Body.

All the current functions will transfer to the new organisation and funding from the Department of Health will continue. It is therefore considered appropriate to prepare the 2011/12 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. Such transfers are accounted for using merger accounting in accordance with FRoM. The prior year comparatives are restated as appropriate so that it appears that the entity has always existed in its present form.

1.4 INCOME

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

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, NHS Quality Improvement Scotland and the Welsh Assembly. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.5 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.

1.6 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.

1.7 NON-CURRENT ASSETS

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred per licence
- iii Property, plant and equipment assets which are capable of being used for more than one year, and which:
 - individually have a cost equal to or greater than £5,000
 - collectively have a cost of at least £5,000, and an individual cost of more than £250, where the assets are functionally interdependent, and had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control, or
 - form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.
- iv Desktop and laptop computers are not capitalised.

b. Valuation

INTANGIBLE ASSETS

Intangible assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. 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.

- i 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 falls 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 2011/12.

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: 3–5 years
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives: 3–5 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

1.8 STOCKS AND WORK IN PROGRESS

The net realisable value of publication stocks is nil. NICE has no other stocks or work in progress.

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 Net Expenditure Account on a straight-line basis over the term of the lease. NICE has no finance leases.

1.12 PROVISIONS

NICE provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

1.13 CASH AND CASH EQUIVALENTS

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

1.14 FINANCIAL INSTRUMENTS

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through Net Expenditure Account

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through the Net Expenditure Account. They are held at fair value, with any resultant gain or loss recognised in the Net Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

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 three financial asset classifications. They are measured at fair value with changes in value taken to the Revaluation Reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Net Expenditure Account on de-recognition.

Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques .

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

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

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through Net Expenditure Account

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through the Net Expenditure Account. They are held at fair value, with any resultant gain or loss recognised in the Net Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

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 IFRSs, AMENDMENTS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE, OR ADOPTED

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the accounting period.

IFRS 7 Financial Instruments: Disclosure

Two amendments to the existing standard. The effective date were for accounting periods beginning on, or after 1 January 2011 and 1 July 2011 respectively.

IAS 12 – Income Taxes

Amendment to the existing standard. The effective date was for accounting periods beginning on, or after 1 January 2012.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This standard was effective from 1 April 2011.

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

The following IFRS, issued by the International Accounting Standards Board, is effective for financial statements after this accounting period and has not been adopted early by NICE:

IFRS 9 Financial instruments

A new standard intended to replace IAS 39. The effective date is for accounting periods beginning on, or after 1 January 2015.

IAS 1 presentation of financial statements

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

IAS 19 – Post-employment benefits (pensions)

There will be a number of changes due to this amendment which comes into effect from 1 January 2013.

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

1.17 MAJOR FReM (GOVERNMENT FINANCIAL REPORTING MANUAL) CHANGES FOR 2012/13

The following change to the FReM will come into effect after the reporting period:

IAS 39 – Accounting for Loans, Public Dividend Capital (PDC) and Investments outside the Departmental Boundary

It seeks to align the FReM so that it aligns with the requirements of IAS 39, where there is no public sector specific reason to account differently.

The change to the FReM is not anticipated to have a future material impact on the financial statements of NICE.

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

NICE operates as a single reportable operating segment as defined within the scope of IFRS 8 (*Segmental Reporting*) under paragraph 12 (aggregation criteria). NICE's activities are inter-related and contiguous, the objective to provide guidance on treatment and care and on effective public health interventions.

NICE provides guidance on treatments and care for those using the NHS in England, Wales and Northern Ireland, and on effective public health interventions in England. Some of

our guidance is also used by the NHS in Scotland. Income received from these countries are detailed in note 6.

All parts of NICE provide products and services related to public health and are supported by government grant-in-aid. All decisions about resources are made with consideration to NICE as a single operating segment.

There is no cross-charging between directorates in relation to corporate functions or overheads.

3. STAFF NUMBERS AND RELATED COSTS

	2011/12 Total £000	Permanently employed staff £000	Other £000	Restated 2010/11 Total £000
Salaries and wages	25,323	19,353	5,970	23,167
Social security costs	1,787	1,787		1,641
Employer contributions to NHSPA	2,505	2,505		2,416
	29,615	23,645	5,970	27,224
Less recoveries in respect to outward secondments	(218)	(218)		(257)
Total net costs	29,397	23,427	5,970	26,967

AVERAGE NUMBER OF PERSONS EMPLOYED

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

	2011/12 Total number	Permanently employed staff number	Other number	Restated 2010/11 number
Directly employed	508	449	59	478
Other				
Total	508	449	59	478

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 2011/12.

Redundancies and terminations

During 2011/12 there were 3 redundancies/terminations, totalling £160k (2010/11: 12 cases at £848k).

PENSIONS COST

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

The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme's assets and liabilities.

Therefore, the Scheme is accounted for as if it were a defined contribution Scheme: the cost to the NHS body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period. The Scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an

accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

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

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation Report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the Scheme Actuary, Scheme contributions may be varied from time to time to reflect changes in the Scheme's liabilities.

b) Accounting valuation

A valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2011 is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

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

ANNUAL PENSIONS

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

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

PENSIONS INDEXATION

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

LUMP SUM ALLOWANCE

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

ILL-HEALTH RETIREMENT

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

DEATH BENEFITS

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

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

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

TRANSFER BETWEEN FUNDS

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

PRESERVED BENEFITS

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

COMPENSATION FOR EARLY RETIREMENT

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

4. EXPENDITURE

	Notes	2011/12 £000	Restated 2010/11 £000
Non-cash items:			
Depreciation		519	493
Amortisation		162	152
(Profit)/loss on disposal		0	0
Provisions provided for in year	12	1,128	370
Unwinding of discount on provisions	12	0	0
		1,809	1,015
Rentals under operating leases		1,607	1,627
Auditor's remuneration: audit fees*		55	59
Premises and fixed plant		3,366	3,252
Transport and moveable plant		20	18
External contractors		3,097	7,209
National Collaborating Centres		8,497	8,191
British National Formulary		5,575	6,124
Medical Technology External Assessment Centres		2,148	2,105
Healthcare Library Services (SHALL)		1,955	2,189
Publications and conferences		503	867
Establishment expenses		3,690	4,361
Supplies and services – general		2,898	2,570
		35,220	39,587

*No non-audit fees were charged. The actual fee in 2010/11 was £54,500

5. RECONCILIATION

5.1 Reconciliation of expenditure to net resource outturn

	2011/12 £000	Restated 2010/11 £000
Net expenditure	59,176	61,475
Prior period adjustment	0	0
Net resource outturn	59,176	61,475
Revenue resource limit	70,200	72,878
(Over)/underspend against limit	11,024	11,403

5.2 Reconciliation of capital expenditure to capital resource limit

	2011/12 £000	Restated 2010/11 £000
Gross capital expenditure	217	332
NBV of assets disposed	0	0
Net capital resource outturn	217	332
Capital resource limit	400	620
(Over)/underspend against limit	183	288

6. OPERATING INCOME ANALYSED BY CLASSIFICATION AND ACTIVITY

	2011/12	Restated 2010/11
	Total	Total
	£000	£000
Strategic health authorities	1,799	1,894
Other NHS income	279	291
Department of Health	154	179
National Assembly for Wales	907	630
NHS National Services Scotland	435	0
NHS Quality Improvement Scotland	130	125
Scottish Parliament	34	0
Northern Ireland Assembly	226	185
Northern Ireland Business Services Organisation	160	0
Northern Ireland Centre for Pharmacy Learning and Development	9	9
Other government departments	15	7
Sales of services	1,128	1,512
Reimbursement of travel costs	75	78
Publications income	67	147
Royalties	23	22
Total	5,441	5,079

7. ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

			2011/12	Restated 2010/11
	Programme	Administration	Total	Total
			£000	£000
Expenditure				
Staff costs	1,191	28,206	29,397	26,967
Running costs	11,179	20,625	31,804	36,709
Rentals under operating leases		1,607	1,607	1,863
Non-cash items:				
Depreciation		519	519	493
Amortisation		162	162	152
Profit or loss on disposal of property, plant and equipment			0	0
Provision provided for in year	1,128		1,128	370
	13,498	51,119	64,617	66,554
Income				
Income from activities	(4,359)	(1,082)	(5,441)	(5,079)
Other income			0	0
	(4,359)	(1,082)	(5,441)	(5,079)
Net expenditure after interest	9,139	50,037	59,176	61,475

Administration costs are defined as non-frontline activities and support activities such as provision of policy advice, business support services and technical or scientific advice and support. Programme costs are defined as cost incurred in providing frontline activities such as direct patient care. 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 for the first time.

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

8. NON-CURRENT ASSETS

8.1 Intangible assets

	Total software licences £000
Cost or valuation	
At 1 April 2011	549
Additions – purchased	0
Disposals	(7)
At 31 March 2012	<u>542</u>
Amortisation	
At 1 April 2011	304
Charged during the year	162
Disposals	(7)
At 31 March 2012	<u>459</u>
Net book value at 31 March 2012	<u>83</u>
	£000
Cost or valuation	
At 1 April 2010	419
Additions – purchased	130
Disposals	0
At 31 March 2011	<u>549</u>
Amortisation	
At 1 April 2010	152
Charged during the year	152
Disposals	0
At 31 March 2011	<u>304</u>
Net book value at 31 March 2011	<u>245</u>

8.2 Property, plant and equipment

2011/12

	Tenants leasehold improvement £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation					
At 1 April 2011	1,631	322	511	1,145	3,609
Additions – purchased	21	68	128	0	217
Disposals	0	0	0	0	0
At 31 March 2012	1,652	390	639	1,145	3,826
Depreciation					
At 1 April 2011	501	229	233	660	1,623
Charged during the year	231	44	93	151	519
Disposals	0	0	0	0	0
At 31 March 2012	732	273	326	811	2,142
Net book value at 31 March 2012	920	117	313	334	1,684
Net book value at 31 March 2011	1,130	93	278	485	1,986
Asset financing					
Owned	920	117	313	334	1,684
Finance leased	0	0	0	0	0
Net book value	920	117	313	334	1,684

Property, plant and equipment are valued using indices. No indexation was applied in 2011/12. No assets were donated during 2011/12.

2010/11 restated

	Tenants leasehold improvement £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation					
At 1 April 2010	1,417	267	364	1,062	3,110
Additions – purchased	0	55	147	0	202
Disposals	0	0	0	0	0
Transferred in from Liverpool PCT	214	0	0	83	297
At 31 March 2011	1,631	322	511	1,145	3,609
Depreciation					
At 1 April 2010	219	192	174	545	1,130
Charged during the year	260	37	59	107	463
Disposals	0	0	0	0	0
Transferred in from Liverpool PCT	22	0	0	8	30
At 31 March 2011	501	229	233	660	1,623
Net book value at 31 March 2011	1,130	93	278	485	1,986
Net book value at 31 March 2010	1,198	75	190	517	1,980
Asset financing					
Owned	1,130	93	278	485	1,986
Finance leased	0	0	0	0	0
Net book value	1,130	93	278	485	1,986

8.3 Profit/(loss) on disposal of fixed assets

	2011/12 £000	2010/11 £000
Profit/(Loss) on disposal of intangible fixed assets	0	0
Profit/(Loss) on disposal of property, plant and equipment	0	0
	<u>0</u>	<u>0</u>

9. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2011/12 £000	2010/11 £000
Amounts falling due within one year		
Trade receivables	2,489	1,711
Other receivables	5	5
Prepayments and accrued income	2,774	1,474
	<u>5,268</u>	<u>3,190</u>
Amounts falling due after more than one year		
Prepayments and accrued income	0	0
	<u>0</u>	<u>0</u>

9.1 Intra-government balances

	2011/12 £000	2010/11 £000
Balances with other central government bodies	2,199	1,156
Balances with local authorities	0	695
Balances with NHS bodies	27	0
Balances with public corporations and trading funds	0	0
	<u>2,226</u>	<u>1,851</u>
Subtotal	2,226	1,851
Balances with bodies external to government	3,042	1,339
	<u>5,268</u>	<u>3,190</u>
Total	5,268	3,190

10. CASH AND CASH EQUIVALENTS

	2011/12 £000	2010/11 £000
Balance at 1 April	563	175
Net change in cash and cash equivalent balances	(176)	388
Balance at 31 March	<u>387</u>	<u>563</u>

The following balances at 31 March were held:

Government Banking Service	387	563
Commercial banks and cash in hand	0	0
Balance at 31 March	<u>387</u>	<u>563</u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	2011/12 £000	2010/11 £000
Amounts falling due within one year		
Trade payables	(932)	(397)
Capital creditors	(90)	(33)
Tax and social security	0	0
Accruals and deferred income	(1,335)	(1,273)
	<u>(2,357)</u>	<u>(1,703)</u>

Amounts falling due after more than one year

Other payables	0	0
	<u>0</u>	<u>0</u>

11.1 Intra-government balances

	2011/12 £000	2010/11 £000
Balances with other central government bodies	(16)	(123)
Balances with local authorities	0	0
Balances with NHS Trusts	(130)	(15)
Balances with public corporations and trading funds	0	0
	<u>(146)</u>	<u>(138)</u>
Subtotal	(146)	(138)
Balances with bodies external to government	(2,211)	(1,565)
	<u>(2,357)</u>	<u>(1,703)</u>
Total	(2,357)	(1,703)

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £000
Balance at 1 April 2010	1,349
Arising during the year	442
Utilised during the year	(673)
Provisions not required written back	(72)
Unwinding of discount	0
Balance at 1 April 2011	<u>1,046</u>
Arising during the year	1,128
Utilised during the year	(168)
Provisions not required written back	0
Unwinding of discount	0
At 31 March 2012	<u>2,006</u>
Analysis of expected timing of discounted flows	
Within 1 year	(1,010)
1–5 years	(866)
Over 5 years	(130)
	<u>(2,006)</u>

As at 31 March 2012 NICE has made a provision of £317k in respect of expected dilapidation, £920k for deferred Lease Incentives, £403k for redundancies and £366k for legal and constructive obligations. 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 is uncertain but the 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. The legal and constructive liabilities relate to ongoing legal matters and the possibility of having a dual supply on a contract – this is dependent on the outcome of the tender. NICE has an obligation to ensure an uninterrupted service to the wider NHS which has necessitated the provision of the possible transition costs.

13. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2012 for which no provision has been made (2010/11: none).

14. COMMITMENTS UNDER LEASE

14.1 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.

	2011/12 £000	2010/11 £000
Obligations under operating leases comprise:		
<u>Buildings</u>		
Not later than one year	861	0
Later than one year and not later than five years	0	861
Later than five years	578	578
	1,439	1,439
<u>Other leases</u>		
Not later than one year	13	15
Later than one year and not later than five years	49	28
Later than five years	2	0
	64	43

14.2 Finance Lease

There are no Finance Lease payments for 2011/12 (2010/11: none).

15. OTHER FINANCIAL COMMITMENTS

NICE has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payment to which NICE was committed during 2011/12 analysed to the period during which the commitment expires are as follows:

	2011/12 £000	2010/11 £000
Not later than one year	120	1,479
Later than one year and not later than five years	19	78
Later than five years	0	0
	139	1,557

16. CONTINGENT LIABILITIES

NICE has no contingent liabilities (2010/11: none).

17. LOSSES AND SPECIAL PAYMENTS

Losses are defined as transactions for which Parliament could not make provision when voting for resources. It may include losses due to overpayment, bad debts, foreign exchange fluctuations, fruitless payments, loss of and damage to property and bookkeeping losses. Special Payments include compensation payments which are made under legal obligation.

	2011/12 Number	2011/12 £000	2010/11 Number	2010/11 £000
Losses	966	51	514	36
Special payments	0	0	1	47

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.

NHS organisations	Income £000	Expenditure £000
Ashton, Leigh and Wigan PCT	252	
Barts and the London NHS Trust		50
Brighton and Sussex University Hospitals NHS Trust	118	
Cambridge University Hospitals NHS Foundation Trust		56
Clatterbridge Centre for Oncology NHS Foundation Trust		61
Department of Health	259	
Derby Hospitals NHS Foundation Trust		135
East Midlands Strategic Health Authority	163	
East of England Strategic Health Authority	182	
Guy's and St Thomas' NHS Foundation Trust		209
King's College Hospital NHS Foundation Trust		182
Liverpool PCT	280	199
Newcastle upon Tyne Hospitals NHS Foundation Trust		538
NHS London	463	
North East Strategic Health Authority	133	
Royal Devon and Exeter NHS Foundation Trust		69
South Central Strategic Health Authority	142	
South West Strategic Health Authority	183	
St George's Healthcare NHS Trust		158
Velindre NHS Trust		926
West Midlands Strategic Health Authority	200	
Yorkshire and the Humber Strategic Health Authority	215	
 Other government organisations (not disclosed elsewhere)		
<i>External assessment for a tobacco harm reduction technologies review</i>		
Cardiff and Vale University Health Board		629
<i>Fulfilment, storage and data capture costs related to BNF</i>		
Central Office of Information (COI)		290
<i>Business rates</i>		
Manchester City Council		282
Camden Council		415
<i>Finance and payroll services</i>		
NHS Shared Business Services		120

There were no material debtor and creditor balances outstanding for the above related parties at 31 March 2012.

19. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10, 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.

The NHS White Paper, 'Equity and excellence: Liberating the NHS', published in July 2010, sets out the government's long-term vision for the future of the NHS.

The National Patient Safety Agency is being dissolved, with some of its functions transferring to other NHS bodies. NICE has agreed to host one such part, the National Clinical Assessment Centre (NCAS), for a year from 1 April 2012 to allow a permanent home for NCAS to be established elsewhere. Under the hosting arrangement, NICE would have responsibility for NCAS resources of £7 million and 70 staff.

The Health and Social Care Bill introduced to Parliament on 19 January 2011 proposed 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 Executive Non-Departmental Public Body (NDPB). The Bill gained Royal Assent on 27 March 2012, and is now the Health and Social Care Act (2012). NICE's statutory status is to change on 1 April 2013.

20. FINANCIAL INSTRUMENTS

IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way special health authorities are financed, NICE is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which *IFRS 7* mainly applies. NICE has limited powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing NICE in undertaking its activities.

LIQUIDITY RISK

NICE's net operating costs are financed from resources voted annually by Parliament. NICE largely finances its capital expenditure from funds made available from government under an agreed capital resource limit. NICE is not, therefore, exposed to significant liquidity risks.

CREDIT RISK

Because the majority of the NICE's income comes from contracts with other public sector bodies, NICE has low exposure to credit risk. The maximum exposure as at 31 March 2012 are in receivables from customers, as disclosed in the debtors' note.

CURRENCY RISK

NICE is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. NICE therefore has low exposure to currency rate fluctuations.

INTEREST-RATE RISK

NICE's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. NICE is not, therefore, exposed to significant interest-rate risk. The following table show the interest rate profile of the NICE's financial liabilities:

Financial assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing
	£000	£000	£000	£000
At 31 March 2012				
Sterling	387	0	387	0
Other	0	0	0	0
Gross financial assets	387	0	387	0
At 31 March 2011				
Sterling	563	0	563	0
Other	0	0	0	0
Gross financial assets	563	0	563	0

Financial assets by category

Assets as per Statement of Financial Position

Current

	2011/12	2010/11
	£000	£000
Trade and other receivables	2,494	1,716
Other current assets	2,774	1,474
Cash and cash equivalents	387	563
	5,655	3,753

Non-current

Receivables	0	0
	0	0

Financial liabilities

Financial liabilities by category

Liabilities as per Statement of Financial Position

Current

	2011/12	2010/11
	£000	£000
Trade and other payables	(2,357)	(1,703)
Other liabilities	0	0
	(2,357)	(1,703)

Non-current

Provisions for liabilities and charges	(2,006)	(1,046)
Other payables	0	0
	(2,006)	(1,046)

Foreign currency risk

NICE has negligible foreign currency income or expenditure.

Fair values

The fair values and the carrying values of NICE's financial assets and liabilities do not differ as no indexation or discounting are appropriate.

21. MACHINERY OF GOVERNMENT

The NHS White Paper, 'Equity and excellence: Liberating the NHS', published in July 2010, sets out the government's long-term vision for the future of the NHS. Following the notice of the phasing out of primary care trusts, Department of Health ministers have approved the transfer of functions of the National Prescribing Centre (NPC), which was hosted by Liverpool PCT, to NICE. The transfer took place on 1 April 2011. The annual recurring resource allocation of £2.4m was transferred, together with 28 whole-time equivalent staff.

21.1 Net Expenditure Account for the year 31 March 2011

		2010/11			
	Notes	Core NICE £000	NPC changes £000	Internal recharge £000	Total £000
Programme costs	a	64,026	2,906	(378)	66,554
Operating income	b	(4,980)	(477)	378	(5,079)
Net expenditure		<u>59,046</u>	<u>2,429</u>	<u>0</u>	<u>61,475</u>
Interest payable		0	0	0	0
Total Comprehensive Expenditure for the year		<u>59,046</u>	<u>2,429</u>	<u>0</u>	<u>61,475</u>

21.2 Statement of Financial Position as at 31 March 2011

		2010/11		
	Notes	Core NICE £000	NPC changes £000	Total £000
Property, plant and equipment	c	1,719	267	1,986
Intangible assets		245		245
Non-current receivables		0		0
Total non-current assets		<u>1,964</u>	<u>267</u>	<u>2,231</u>
Receivables		1,716	0	1,716
Cash and cash equivalents		563	0	563
Other		1,474	0	1,474
Total current assets		<u>3,753</u>	<u>0</u>	<u>3,753</u>
Total assets		<u>5,717</u>	<u>267</u>	<u>5,984</u>
Payables		(1,703)	0	(1,703)
Total current liabilities		<u>(1,703)</u>	<u>0</u>	<u>(1,703)</u>
Non-current payables		0	0	0
Provisions		(1,046)	0	(1,046)
Total non-current liabilities		<u>(1,046)</u>	<u>0</u>	<u>(1,046)</u>
Total liabilities		<u>(2,749)</u>	<u>0</u>	<u>(2,749)</u>
Total assets less total liabilities		<u>2,968</u>	<u>267</u>	<u>3,235</u>
General Fund		2,887	267	3,154
Revaluation Reserve		81	0	81
Total Taxpayers' Equity		<u>2,968</u>	<u>267</u>	<u>3,235</u>

a The NICE figure for Programme costs includes expenditure of £378k which was paid to Liverpool PCT relating to the NPC. In the 2010/11 figures of the preceding notes, the £378k has been excluded as for comparative purposes this would be an 'internal' cost going forward.

b The NPC figure for income includes an amount of £378k which was received by Liverpool PCT from NICE relating to the NPC. In the 2010/11 figures of the preceding notes, the £378k has been excluded as for comparative purposes this would be an 'internal' income stream going forward.

c Tenants leasehold improvement and furniture and fittings.

21.3 Statement of Financial Position as at 31 March 2010

Although the NPC transferred to NICE on 1 April 2011, we have restated the Statement of Financial Position to that of the year prior to transfer to allow for year on year comparisons. The total values for 2009/10 have also been restated on page 34 of the accounts.

		2009/10		
	Notes	Core NICE £000	NPC changes £000	Total £000
Property, plant and equipment	c	1,980	297	2,277
Intangible assets		267		267
Non-current receivables		0		0
Total non-current assets		<u>2,247</u>	<u>297</u>	<u>2,544</u>
Receivables		1,616	0	1,616
Cash and cash equivalents		175	0	175
Other		1,489	0	1,489
Total current assets		<u>3,280</u>	<u>0</u>	<u>3,280</u>
Total assets		<u>5,527</u>	<u>297</u>	<u>5,824</u>
Payables		(2,564)	0	(2,564)
Total current liabilities		<u>(2,564)</u>	<u>0</u>	<u>(2,564)</u>
Non-current payables		0	0	0
Provisions		(1,349)	0	(1,349)
Total non-current liabilities		<u>(1,349)</u>	<u>0</u>	<u>(1,349)</u>
Total liabilities		<u>(3,913)</u>	<u>0</u>	<u>(3,913)</u>
Total assets less total liabilities		<u>1,614</u>	<u>297</u>	<u>1,911</u>
General Fund		1,525	297	1,822
Revaluation Reserve		89	0	89
Total Taxpayers' Equity		<u>1,614</u>	<u>297</u>	<u>1,911</u>

c Tenants leasehold improvement and furniture and fittings.

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