The Health and Social Care Information Centre Annual Report and Accounts 2011/12

NHS
The Information Centre
for health and social care

2011/12

The Health and Social Care Information Centre Annual Report and Accounts 2011/12

Presented to Parliament pursuant to Paragraph 6(3) of Schedule 15 of the National Health Service Act 2006

Ordered by the House of Commons to be printed on 9 July 2012

HC 332 London: The Stationery Office Price £16.00

This publication is also for download at www.official-documents.gov.uk and from our website at www.ic.nhs.uk

ISBN: 9780102977448

Printed in the UK by The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office

ID 2487820

07/12

Printed on paper containing 75% recycled fibre content minimum

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About the Health and Social Care Information Centre

The Health and Social Care Information Centre (HSCIC) is England's national source of information about health and social care.

The HSCIC was previously known as the NHS Information Centre. We have reverted to our statutory name to reflect our broader social care responsibilities.

We collect data from a range of health and care organisations and make sure it is processed securely. It is our vision to deliver maximum value from our health, public health and social care data as a publicly-owned national asset used for a wide range of secondary purposes, such as policy development, planning and commissioning, service improvement, research, public accountability and transparency.

Under the Health and Social Care Act (2012), which was passed on 27 March 2012, the HSCIC will be dissolved as a Special Health Authority and created as a new Executive Non-Departmental Public Body (ENDPB) – the Health and Social Care Information Centre (referred to hereafter as the new HSCIC). The change in status will occur on 1 April 2013.

The Act:

- confirmed that the existing functions of the HSCIC will continue in the new body and conferred additional responsibilities for information
- also provided for the Secretary of State for Health or the NHS Commissioning Board to direct the new HSCIC to carry out informatics functions on their behalf.

The Secretary of State confirmed on 24 May 2012 that IT system delivery functions undertaken by NHS Connecting for Health (CfH), together with some informatics delivery functions undertaken by Strategic Health Authorities, will be housed by the new HSCIC from 1 April 2013.

A time-limited Joint Transition Board is being established, chaired by the DH Sponsor, to oversee transition activity in the run up to establishment of the new HSCIC.

Foreword

Welcome to this, our seventh annual report. It comes at the end of what has been an important year for the Health and Social Care Information Centre. During 2011/12 we have maintained our position as the major national supplier of information services and products relating to health, public health and social care. We have also demonstrated our ability to manage resources well and make significant efficiencies in response to financial pressures – as confirmed by our accounts.

In the last year, we have seen interest in our information grow. More people and organisations have signed up for our services and products. We have also seen an increase in public and media interest in our publications – including the National Diabetes Audit, our report on smoking, drinking and drug use in young people in England, and on prescribing practice. All of these reports can be found on our website.

We have also been doing a lot of work to prepare our organisation, and the information we publish, so that it is ready for the new health and care system that is being delivered as a result of the passage through Parliament of the Health and Social Care Act (2012), which establishes a new HSCIC as an Executive Non-Departmental Public Body (ENDPB) on 1 April 2013. On the 24 May 2012 the Secretary of State for Health also confirmed that the new HSCIC will house the IT systems delivery function currently undertaken by the DH Informatics Directorate.

New organisations, such as the Clinical Commissioning Groups, are being established to take responsibility for commissioning local health care services. They will work collaboratively with local councils to plan and commission a wider range of services to improve general health and wellbeing. They will operate in a climate whereby the Government and the public expect greater openness and accountability for the decisions they make, and where people expect to make more decisions for themselves about the services they use.

So, although the main purpose of this document is to set out our annual accounts for 2011/12, we must also look ahead to the coming year and beyond. Everybody working in healthcare, public health and social services will rightly expect to continue to have access to the information and services we provide – but they will want more.

They will need information that reflects the way the new system is intended to work. They will need easy access to the indicators used in the new Outcomes Frameworks which will be used to measure progress in improving health and wellbeing.

We will also need to help the public at large to get more value from the data we publish. The Department of Health has issued a new Information Strategy which sets out a deliberately aspirational vision whereby people are using information routinely to manage their health and wellbeing, and exercise more choice and control over their care. They will generate more information themselves, by giving feedback on services and will use social media to share information.

All of this is genuinely ground-breaking and exciting.

Our effectiveness will be judged by our ability to help our Sponsor, partners and our customers to use the data we hold to meet their own strategic objectives. Our partnerships with the Department of Health, the NHS Commissioning Board, Public Health England, NICE, the regulators and local health and care organisations will be of paramount importance in ensuring that collectively we derive maximum value from our important national information asset.

So we must maintain our portfolio of products and will build on our strong foundations and services to make sure that everybody has access to the good quality, accurate and timely information they need.

Read our Business Plan on our website to know more about how we intend to consolidate our role as the national source of information and indicators used across health, public health and social care.

Tim Straughan
Chief Executive
The HSCIC

Review of 2011/12

We have delivered more information by:

- Making available 140 national and official statistical publications covering a growing range of subjects including NHS staff numbers, the abuse of vulnerable adults, and the drinking, smoking and drug habits of young people across England;
- Publishing a number of reports and studies, which inform the development of key policy areas - including the first report of the Patient Related Outcome Measures (PROMS) covering patients' perception of their health and well-being before and after treatment, and a study of NHS commissioned memory assessment services, which will assist NHS organisations in their planning and commissioning of future services which are vital to ensure early diagnosis of dementia;
- Extending the topics covered in our surveys, to include information about autism, adult dental health, infant feeding, carers and attitudes to mental illness;
- Publishing a range of information and data on prescribing – including, for the first time, in December 2011, data showing what is prescribed, and at what cost, by individual general practice.

It is easier to access the data we hold because we have:

- Continued to maintain and develop key national information systems, including Hospital Episode Statistics (HES), the Secondary Uses Service (SUS), the National Adult Social Care Intelligence System (NASCIS), and the i-View system used with the Electronic Staff Record (ESR) and other data sources;
- Commenced regular publication of a growing range of datasets, to support the national Transparency agenda. As well as data about hospital activity, this now includes data about complaints and practice-level prescribing;
- For researchers, improved automatic tracing of records to link and manage study cohorts through the Medical Research Information Service (MRIS), Integrated Database and Administration System (MIDAS).

We have helped to join up knowledge about health, public health and social care by:

- Publishing for the first time in October 2011 the new Summary Hospital-level Mortality Indicator (SHMI);
- Winning a major three-year contract to work on the world-leading National Diabetes Audit;
- Bringing into one place nearly 1,500 national indicators including those formerly available in the Clinical and Health Indicators database (the Compendium) and the Local Basket of Inequalities indicators. This Indicator Portal also includes 259 indicators relating to clinical service and outcome data for each GP practice in England, so that the data can be linked and analysed more easily.

We have continued to drive up information quality and standards by:

- Extending the range of indicators we develop and publish including:
  - Indicators for use on the NHS Choices website and the Clinical and Health Indicators database;
  - Indicators included in the "Better Care, Better Value" (BCBV) and the Indicators for Quality Improvement (IQI) initiatives;
  - The first release of the indicators used in the NHS Outcomes Framework, which were published in December 2011;
  - Thirteen new prescribing comparators to support the agenda for Quality, Innovation, Productivity and Prevention (QIPP);
- Running an engagement programme in support of the Fundamental Review of Data Returns (FRDR), which resulted in proposals to reduce the burden of annual data returns by 25%;
- Launching the Safety Thermometer which is a local improvement tool used to collect baseline information and measure outcomes and progress for each of the four harms being focussed on by Safety Express[1]. (the absence of pressure ulcers, harm from falls, urinary tract infection and venous thromboembolism);
- Publishing a key report on data quality – "*Hospital Episodes Statistics: Improving the quality and value of hospital data*" which was endorsed by the Academy of Royal Medical Colleges and urged consultants to take responsibility for their clinical data, both in the way that notes are recorded and the accuracy with which patient data is coded. We received more than 1,000 responses from clinicians to the consultation questions it posed.

We have done all this:

- Through improving the efficiency of the organisation while managing with a reduced budget
- While improving data governance for patient level data.

[1] www.ic.nhs.uk/services/nhs-safety-thermometer

Looking ahead to 2012/13

The Health and Social Care Act (2012) confers additional responsibilities on the HSCIC, and we are already seeing major new commitments arising from the reforms.

The HSCIC will become an Executive Non-Departmental Public Body (ENDPB) in April 2013 as prescribed in the Act.

In summary, our key objectives during 2012/13 are to:

- Introduce a secure data linkage service, which is capable of providing linked data outputs supporting the needs of a range of customers, including industry and research;
- Work across healthcare, public health and social care to provide services which deliver the secure processing, robust de-identification standard and service to ensure consistent approaches are applied to the secure management of person-level data for the purpose of secondary uses;
- Launch the GP Extraction Service to open up access to primary care data;
- Complete the zero-based review of adult social care information to identify the improvements necessary to the adult social care data collections;
- Increase the range of data published routinely to support the Open Data Agenda and the Plan for Growth;
- Issue the first major release from the newly-extended service for PROMS;
- Launch our national data quality assurance framework with the publication of the first of our annual national reports on data quality;
- Complete the reprocurement of Hospital Episodes Statistics, to maintain service continuity and better enable future enhancements;
- Develop an Open Data Platform business case to determine the replacement options for the Secondary Uses Service and the development of a new community datasets service.
- Preparing for the establishment of the new HSCIC on 1 April 2013 through a time-limited Joint Transition Board, chaired by the DH Sponsor.

Board biographies

Mike Ramsden
Chairman

Mike was appointed as chairman of the HSCIC in 2005.

He is a director of MR Management Consultancy Ltd and the founder of Smartrisk Foundation (UK), a charity focussed on preventing injuries, particularly amongst children. Previously he worked within the NHS for 26 years, including chief executive positions with Leeds Health Authority, Leeds Family Health Services Authority and Wakefield Family Health Services Authority.

Mike was appointed part time chief executive of the National Association of Primary Care in October 2007, this position terminates on 30 June 2012.

Tony Allen
Vice Chairman

Tony was appointed as vice chairman of the HSCIC in 2005.

He is chairman of The Chislehurst Society and chair of the Finance Committee of Wigmore Hall. Previously Tony was lead partner at PriceWaterhouseCoopers for services to the NHS and to the Department of Health. He also led on governance and the effectiveness of boards for the organisation and advised a wide range of public and private corporations.

Tim Straughan
Chief Executive

Tim was appointed chief executive of the HSCIC in 2007. He originally joined as director of finance and corporate services and deputy chief executive six months after its creation in April 2005. He was responsible for the recruitment and migration programme that established the organisation in its Leeds headquarters. Before that he was acting chief executive of NHS Estates and had a number of years of frontline NHS experience. Tim is a chartered accountant and trained with KPMG.

He is also a qualified dentist with experience of working in general practice, hospital and community facilities.

He was appointed as a non-executive director of Locala Community Partnerships (a community interest company providing community healthcare services to the people of Kirklees) with effect from 3 November 2011.

Phil Wade
Executive Director of Business Development and Communications

Phil went on secondment to Health Education England from 1 January 2012.

Trevor Doherty
Executive Director of Finance and Performance

Trevor joined the HSCIC in August 2009. Previously he was director of health informatics at Tribal Group, latterly working across NHS Connecting for Health and the HSCIC as Payment by Results lead for the Secondary Uses Service. Earlier, as a director in Tribal's Health Practice, Trevor led on the development of new analytical tools to assist in decision making for projects, training and education in teaching hospitals, healthcare speciality costing and examining future financial stability for foundation trusts. Before becoming a management consultant, roles within the NHS included director of planning and director of finance in two major teaching hospitals. He was a founder member of the NHS Executive Private Finance Unit.

Prior to moving into healthcare, Trevor had senior roles in financial services, oil & gas and manufacturing. An accountant and strategic planner, Trevor is a fellow of the Chartered Institute of Management Accountants and Chartered Global Management Accountants.

Clare Sanderson
Executive Director of Information Governance

Clare joined the HSCIC in an interim role in 2007 and was appointed to a substantive post in 2008.

Previously she worked as an independent information management consultant, providing support to the NHS across all organisation levels. Clare has worked for a number of respected consultancy firms and also worked in NHS information services for more than 25 years, initially at both a regional and local health authority in the Northwest. Her expertise in information management and governance has enabled the HSCIC to develop a robust information governance approach to its work programmes. She is a member of the UK Council for Caldicott Guardians. Clare graduated from Leeds University with an Operational Research and Statistics degree.

Dr Mark Davies
Executive Medical Director

Mark joined the HSCIC in 2008 on secondment from NHS Connecting for Health. Previously he was national clinical director for NHS Connecting for Health, leading on primary and community care. He also established the clinical contents service, for which he remains senior responsible officer.

He has been medical director for the NHS Connecting for Health Choose and Book programme and clinical advisor to the Department of Health. Prior to this he was medical director of one of the largest GP urgent care organisations in the country, and was involved in the reforming emergency care agenda for West Yorkshire. Mark is a part-time General Practitioner at a practice in Hebden Bridge, West Yorkshire.

He is also the government advisor on transparency in health working for the Cabinet Office.

Rachael Allsop
Executive Director of Workforce

Rachael joined the HSCIC in 2009. Previously she was director of human resources at Leeds Teaching Hospitals' NHS Trust. She has worked at senior level in a variety of human resource functions across all sectors of the NHS, leading teams who have won awards for innovation, recruitment, retention and diversity. Rachael is a visiting lecturer at Leeds University where her teaching interests include equality and diversity, organisational change, HR strategy and practice and employment law. She is chair of the Yorkshire branch of the Healthcare People Management Association.

During 2011/12, Rachael has been overseeing the joint HR arrangements with the Department of Health Informatics Directorate.

Rachael read Economics at University, subsequently specialising in Employment Law at post-graduate level, and is a member of the Chartered Institute of Personnel and Development.

John Varlow
Executive Director of Information Services (interim)

John joined the HSCIC in March 2010 as Programme Head for Clinical Analysis with responsibility for Clinical Indicators, Clinical Audit, Mental Health and Community, Prescribing and Primary Care.

He took up the interim post of Executive Director of Information Services on 1 July 2011.

John's background and previous experience includes:

- Public Health and Statistics Lead for the Information Standards Board for Health and Social Care
- Head of Information Standards Services for a large part of 2009
- Managing multiple areas within a shared health informatics service including community information, prescribing support, library services, specialist analysis, research services among others
- Development and delivery of a unique BSc and MSc accredited research course for health professionals delivered entirely in the NHS workplace
- Various teaching roles both in England and the USA.

John is a firm believer in the need for consistent definitions, methodologies and messages when producing information.

Lucinda Bolton
Non-executive Director

Lucinda was appointed as a non-executive director of the HSCIC in 2005.

She is a former executive director of an investment bank and has held a number of public and voluntary sector non-executive directorships.

She is a member of the Review Body on Doctors' and Dentists' Remuneration, having been a member of the NHS Pay Review Body between 2004 and 2010. She was chair of Hammersmith and Fulham PCT and, before that, of Riverside Community Healthcare NHS Trust. As such she has wide experience of the NHS.

She is currently acting chair of the Audit Committee of the Commission for Local Administration in England and, amongst a number of other activities, she was a governor of Thames Valley University (now University of West London) and chair of its Audit and Risk Committee and an Independent Public Appointments Assessor for the Department of Culture Media and Sport.

Roger Clarkson
Non-executive Director

Roger was appointed as a non executive director of the HSCIC in 2005.

His previous directorships include 3rd Phase Consulting, Lancashire Ambulance Trust and Learning Pool Ltd. Previously Roger was a senior manager with ICL and IBM's government consultancy businesses and led major customer focused change programmes within a wide range of organisations. He has also been a national advisor to the Office of the Deputy Prime Minister for local government modernisation and had responsibility for the local government online programme.

Anthony Land
Non-executive Director

Anthony was appointed as a non executive director of the HSCIC in 2005.

During the last decade he has completed a range of interim and advisory board-level assignments at Kensington and Chelsea Primary Care Trust; the General Social Care Council; the Social Care Institute for Excellence; the Commission for Social Care Inspection and the Equal Opportunities Commission.

He has been a non-executive director of Book Trust, the Brussels-based European Office of Consumer Organisations, and the Kensington Society.

Professor Michael Pearson
Non-executive Director

Michael was appointed as a non executive director of the HSCIC in 2005.

He is an honorary professor of clinical evaluation at The University of Liverpool and honorary consultant physician at University Hospital Aintree.

Previously Michael served on the National Clinical Advisory board of the National Programme for IT and on the interim executive of the NHS Care Records Development Board.

He is a trustee director of the Respiratory Education Training Centre and also Lung Health, a company set up to develop patient focussed software for chronic obstructive pulmonary disease care.

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Tony Allen
Vice Chairman

Tim Straughan
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Interim Executive Director of Information Services

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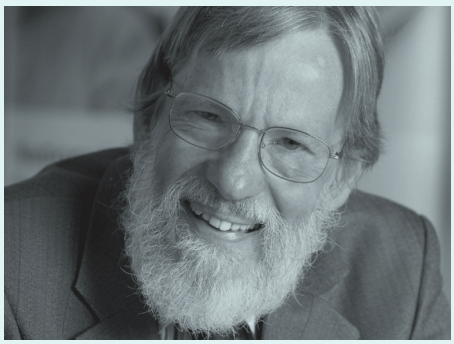

Professor Michael Pearson
Non-executive Director

Accounts for the year ended 31 March 2012

Management commentary

Background

The Health and Social Care Information Centre (HSCIC) is a special health authority of the Department of Health that provides health related data, facts and figures to help the NHS and social services in England. It was established by The Health and Social Care Information Centre (Establishment and Constitution) Order 2005 (No. 499) with an effective date of 1 April 2005.

Our data and information helps local organisations provide better local care, national policy development and delivery and facilitate local and national accountability. There is a wide ranging legal, regulatory and compliance framework which governs the receipt, processing and dissemination of information by the HSCIC and its production of statistics.

Our regulatory and compliance framework includes the:

- Data Protection Act (1998)
- Freedom of Information Act (2000)
- Human Rights Act (1998)
- Environmental Information Regulations (2004)
- Copyright, Designs and Patents Act (1998)
- Data Protection (Processing of Sensitive Personal Data) Order 2000
- Health and Social Care Act (2001)
- NHS Act (2006)
- Health and Social Care Act (2012)
- Re-use of Public Sector Information Regulations (2005)
- NHS Codes of Practice on Information Security (2007)
- Records Management (Part 1 2006 & Part 2 2009) and Confidentiality (2003)
- Common law duty of confidentiality
- Caldicott Report 1997
- NHS Information Governance Toolkit.

In respect of statistics produced by the HSCIC, the Statistics and Registration Service Act (2007) gave rise to the UK Statistics Authority, whose *Code of Practice for Official Statistics* governs HSCIC statistical work, and who can monitor and comment publically on compliance with the *Code*. The UK Statistics Authority also formally assess statistics for compliance with the *Code* and can designate or continue to designate them as *National Statistics* if they comply.

Review of the year

2011/12 has been a year in which a range of key strategic developmental areas for the HSCIC have progressed considerably:

- delivered key information services including:
  - developing and publishing a wide range of assured clinical indicators, including Patient Reported Outcomes Measures and the NHS and Adult Social Care Outcomes Frameworks
  - leading contributions to national reviews of hospital mortality indicators and central data collections
  - developing further the National Adult Social Care Intelligence Service, providing comparative and other information for adult social care services, and leading a review of future social care information needs
  - extending the range of Hospital Episode Statistics releases, including new publications on A&E
  - extending the range of prescribing information and indicators to support QIPP
  - supporting the extension of Payment by Results and major new Secondary Uses Service (SUS) releases
  - extending the range of regular statistical releases and services, including new mental health publications and data linkage services
  - improving our IT and information systems infrastructure
- played a leading role on transparency and public data for health and social care, extending the range of NHS information available via www.data.gov.uk to some 1,000 data sets
- completed a major internal restructure, improving our IT and information systems infrastructure and delivering significant cost savings, preparing for the future role set out for the new HSCIC in the Health and Social Care Act (2012)

Future Developments

The Department of Health "Report of the arm's-length bodies review", "*Equity and excellence: Liberating the NHS*" released in July 2010 and the subsequent consultation on the Information Revolution all described a pivotal role for the HSCIC in the collection, assurance and dissemination of information for secondary uses.

This includes other arm's-length bodies transferring their data collection activities to the HSCIC, to reduce duplication and central and front-line costs; and making their information assets available for a national repository, to improve public access. It was decided that in order to carry out these functions the HSCIC needed to be put on a firmer statutory footing, with clearer powers across organisations in the health and care system, and with a functional scope focussed on data collection.

This has been achieved through the Health and Social Care Act 2012 creating a new Health and Social Care Information Centre as an ENDPB from 1 April 2013. This new HSCIC will:

- become the focal point for collection storage and dissemination of national data from health and social care bodies
- collect data that needs to be collected centrally to support the central bodies in discharging their statutory functions
- have power to require a health or social care body to provide us with information and to request any other person to provide information
- be able to consider additional requests from other arm's-length bodies, and carry out those data collections if specific criteria are met
- have a duty to seek to reduce the administrative burden of data collections on the NHS with powers to support this
- publish the data that we have collected in a non-identifiable, standard, and aggregated format for wider use by a multiplicity of customers
- be required to assess the extent to which information we collect meets standards for processing information published by the Secretary of State or the NHS Commissioning Board. Publish a record of the results of the assessment if we have or plan to publish the information
- maintain and publish a register containing descriptions of the information we collect subject to potential additional regulations
- establish and operate a scheme for accreditation of information service providers
- establish, maintain and publish a database of quality indicators in relation to the provision of health services and adult social care in England
- have a role in connection with the verification of the identity of general medical practitioners
- have wider income generation powers
- continue with existing functions

The Secretary of State confirmed on 24 May 2012 that IT system delivery functions undertaken by NHS Connecting for Health (CfH), together with some informatics delivery functions undertaken by Strategic Health Authorities, will be housed by the new HSCIC from 1 April 2013.

A time-limited Joint Transition Board will be established, chaired by the DH Sponsor, to oversee transition activity in the run up to establishment of the new HSCIC.

Accounts preparation

The Accounts have been prepared under a direction issued by the Secretary of State in accordance with Section 232 (schedule 15, paragraph 3) of the National Health Service Act 2006 and have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted and interpreted for the public sector context. The accounts comprise of a Statement of Comprehensive Net Expenditure, a Statement of Financial Position, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

Financial results

The Department of Health allocated the HSCIC a revenue resource limit for 2011/12 of £37.3 million including £4.3 million to cover depreciation. The actual results have generated a revenue surplus of £2.1 million.

This surplus has been generated through a reduction in the number of staff by 45 to 538 as a result of the lower funding and tight recruitment controls implemented during the year and other efficiency savings. Since 2006/07, the core revenue grant in aid allocation has reduced by 26% on a like for like basis and the HSCIC has improved the value for money delivery of our services by:

- transforming the delivery of most services provided including stopping, where feasible, those not considered to be offering value for money
- bringing inhouse the provision of core IT infrastructure services resulting in increasing standardisation and automation of our systems and business processes which allows greater flexibility
- providing and promoting internet access to our services to replace both paper and telephone based access
- centralising our key functions as far as possible into one location in Leeds
- outsourcing functions where it can be demonstrated that efficiencies will occur
- streamlining services common to all business streams ie the contact centre
- reducing the reliance on temporary labour
- reducing travel costs by closer management of journeys and applying a standard class rail policy.

The capital resource allocation of £10.9 million has been considerably underspent due to delays in progress on developing:

- the General Practice Extraction Service, a means of extracting clinical data in a standard format from the varied general practice systems
- the HES Transition project, redeveloping internally a system for analysing and disseminating Hospital Episode data.

Both projects are now well underway and should meet the required operational target dates. Other significant software developments during the year include:

- the Clinical Audit Transition, a development to upgrade the infrastructure for clinical audits onto modern software compatible with the HSCIC infrastructure
- Patient Reported Outcome Measures, extension of the existing pilot system to collect data from patient experience questionnaires and linking with other datasets
- MIDAS, new system to analyse data from the patient demographic system with one of its primary purposes being to verify data for the 2011 Census.

Research and development expenditure, being expenditure incurred prior to business case approval is written off to revenue.

The HSCIC continues to seek new funding streams to support its activities although it is recognised that most funding will emanate from the Department of Health. Future funding arrangements are currently being discussed.

Outstanding sales ledger balances amount to £3.9 million, of which £0.07 million was more than 60 days overdue. Debts amounting to £10,082 have been provided for as irrecoverable. Other receivables largely relate to VAT and prepayments on property leases.

Deferred income relates to monies received as a contribution towards survey costs, specific capital projects or other major areas of work in advance of the work being completed. This will be released to income as expenditure is incurred, or in the case of capital expenditure, as amortisation is charged.

Future Financial Targets

Like all public services, the HSCIC is facing significant financial challenges in the short term. The business plan for 2012/13 sets out the strategy and plans for the existing organisation for the next 3 years.

This will be achieved through a range of initiatives including:

- rescoping and reprocuring major service delivery functions such as the Hospital Episode Statistics contract
- agreements for funding of other non-GIA DH services
- greater transparency with our stakeholders and commissioners about the services we provide with our GIA funding
- identification of non value added activities
- further income generation especially through data linkage services
- exploring opportunities for further sharing of services
- identifying service specific efficiencies.

Going concern

The Health and Social Care Act 2012 approved by Parliament on 27 March 2012 confirms the dissolution of the HSCIC as a Special Health Authority, followed by the creation of a new body – the Health and Social Care Information Centre (new HSCIC) as an Executive Non-Departmental Public Body (ENDPB). The change to HSCIC's statutory status will occur on 1 April 2013.

All the functions of the HSCIC as a Special Health Authority, together with the IT systems delivery function currently undertaken by the DH Informatics Directorate and certain informatics functions within Strategic Health Authorities would transfer to the ENDPB. Funding from the Department of Health will continue.

The accounts have therefore been prepared on a going concern basis.

Financial instruments

The HSCIC has only a very limited exposure to financial instruments consisting of cash, accounts receivable and accounts payable. Cash flow is managed to meet operational requirements throughout the year by drawing down sufficient cash from the Grant in Aid allocation. There are no significant issues with respect to the outstanding balances at the reporting date.

Events after the reporting period ended

Under the Health and Social Care Act (2012), which was passed on 27 March 2012, the HSCIC will be dissolved as a Special Health Authority and created as a new Executive Non-Departmental Public Body (ENDPB) – the Health and Social Care Information Centre (referred to hereafter as the new HSCIC). The change in status will occur on 1 April 2013.

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Better payments practice code	Number	£000
Total non NHS bills paid 2011/12	3,615	27,199
Total non NHS bills paid within target	3,526	26,254
Percentage of non NHS bills paid within target	**97.5%**	**96.5%**
Total NHS bills paid 2011/12	106	1,983
Total NHS bills paid within target	94	1,811
Percentage of NHS bills paid within target	**88.7%**	**91.3%**
Total value of invoices processed in 2011/12		27,511
Total value of invoices outstanding at 31 March 2012		1,925
Number of days outstanding		25

Better payments practice code

The HSCIC seeks to comply with the Better Payments Practice Code by paying our suppliers within 30 days of the receipt of goods or services, or within 30 days of receipt of an invoice. The percentage of non NHS invoices paid within this target was 97.5 per cent (2010/11 94.7 per cent).

Political and charitable donations

No political or charitable donations have been made in the year.

Auditors

The accounts have been audited by the Comptroller and Auditor General, who has been appointed under statute and is responsible to Parliament. The cost of the audit was £65,500. The internal audit service during the financial year was provided by PricewaterhouseCoopers LLP.

The Accounting Officer has undertaken all steps to ensure he is aware of any relevant audit information and to ensure that the HSCIC's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which the HSCIC's auditors are not aware.

Register of interests

The NHS code of accountability requires board members to declare any interests that are relevant and material to the NHS body of which they are a member. Board members are expected to declare any changes to their interests at each board meeting and on any particular topic on the agenda prior to discussion commencing.

The board register of declarations of interest is updated on an annual basis. It is kept and maintained by the HSCIC head of the executive office and is available for public inspection.

Estates and sustainable development

The aim of the HSCIC has been to centralise as much of its activities as possible into its principal leased accommodation in Leeds. This has been largely achieved with a small London presence and a facility in Southport where space is occupied within other public sector buildings. Consequently a formal estates strategy has not been developed.

The properties are:

- Leeds – commercial leases and the main office base
- Southport – a Memorandum of Terms of Occupation (MOTO) with the Identity and Passport office providing office accommodation for 115 staff. Approval has just been granted to extend this MOTO for a further 5 years.
- London – 6 desks within the NHS Litigation Authority offices.

The estates policy aims to support the business by ensuring that our property portfolio is fit for purpose and that suitable buildings are available in the most appropriate locations to help us achieve service excellence and value for money in our operations. In support of this, the following key principles apply:

- compliance with the Government Property Unit (GPU) policy and the property control environment
- rationalisation of the number of properties in the portfolio, involving the disposal of unwanted accommodation
- improving space utilisation and a drive towards full occupancy of all properties.

As a consequence of the recruitment controls in place, space utilisation has deteriorated. Across all buildings we occupied 10 square metres per full time equivalent employee (FTE) during 2011/12. This compares with 9.2 square metres per FTE during 2010/11. A revised calculation incorporating the number of available workstations and excluding the sixth floor of Trevelyan Square which was vacated during the year, results in an occupation rate of 7 square metres per FTE. Discussions are currently underway with GPU and the Department of Health estates team as to how best to utilise the Leeds offices.

Sustainability

The HSCIC is required to prepare a report in line with the 2011/12 HM Treasury Sustainability guidelines, fully consistent with non-financial information requirements laid down under the Greening Government commitments (including the transparency requirements).

Our sustainability aim is to reduce the impact of our business on the environment, especially to reduce our carbon dioxide (CO_2) emissions. Managing efficient use of IT, accommodation and travel are the key strands of this work. The HSCIC does not own any properties, commercial transport or other assets other than in an office environment and primarily relies on public transport for travel.

Key areas addressed or currently under review include:

- improving the utilisation of our accommodation through flexible desk arrangements
- increasing the recycling of waste through the removal of under desk waste bins and increasing provision for recycling materials
- sustainable arrangements for disposing of IT equipment and recycling of printer cartridges
- promoting a more environmentally friendly means of commuting to work including the provision of showers, changing areas, cycle to work and Metro bus schemes
- introduction of more efficient electrical appliances including timers on hot water boilers
- vacation of surplus accommodation to make utility efficiencies

We also request our suppliers demonstrate a similar commitment through the incorporation of sustainable practices into their provision of goods and services.

It has been agreed that the required accommodation reporting for Southport and London will be undertaken by the other parties, the Identity and Passport Office and NHS Litigation Authority respectively and thus the below information relates to the Leeds office only.

The following table provides an overview of each of the three main reporting areas:

Greenhouse gas emissions		2011/12	2010/11	2009/10	2008/09
Non financial indicators (tco_2)	Scope 1 emissions	NIL	NIL	NIL	NIL
	Scope 2 emissions				
	Electricity	422.4	465.7	482.0	332.1
	Gas	149.0	194.1	161.8	152.7
	Scope 3 emissions				
	Rail	57.9	58.3	67.2	58.7
	Air	14.4	15.9	27.9	37.3
	Total energy	643.7	734.0	738.9	580.8
	Total energy per FTE	**1.5**	**1.6**	**1.4**	**1.4**
Financial indicators (£000)	Scope 1 emissions	NIL	NIL	NIL	NIL
	Scope 2 emissions				
	Electricity	70.4	71.4	76.1	52.4
	Gas	29.2	27.9	23.6	24.7
	Scope 3 emissions				
	Rail	221.1	284.5	577.3	556.0
	Air	11.9	18.6	40.6	51.2
	Total energy	332.6	402.4	717.6	684.3
	Total energy per FTE	**£674**	**£737**	**£1,174**	**£1,398**
Water (m^3)		4,457	5,252	5,899	4,656

We do not currently have the means to capture the total emissions from the use of employees business travel in cars, but will be very small as the majority of our travel is between Leeds, London and other major cities using rail.

Waste

The waste facilities are shared with other tenants of the buildings occupied and thus it is not possible to identify the volume and method of waste disposed of.

However, the waste on a year to year basis is largely just normal office waste as most business procurement relates to information services rather than products. Facilities and guidance for staff on how to reuse and recycle waste materials has been improved including receptacles to recycle paper (both confidential and other), cardboard, glass and plastic. All under desk bins have been removed to encourage staff to use these facilities. Empty toner cartridges are recycled and IT equipment disposed of in an environmentally friendly way. Surplus furniture is sold or offered to charities.

The use of paper is falling as more of our information is now being made available electronically rather than in paper reports. For instance we only print sufficient copies of our annual report to meet government requirements and have enough internally to be used as reference documents. In addition the report is produced in just two colours.

Water

The only water used is for normal office use; drinks, showers and lavatories. As the water meter is for the building as a whole, we have estimated our usage based on the sq metres occupied as there is no reason to conclude that the other tenants would consume differently.

Sustainable procurement

Most procurement is for services rather than products and is through nationally agreed frameworks where sustainability provisions have been incorporated. Direct procurement by the HSCIC includes specific provisions and forms part of the tendering process where applicable.

Biodiversity

Being purely an office based organisation, the HSCIC has little impact on biodiversity issues and does not have a biodiversity action plan.

Community and social responsibility

The HSCIC has a special leave policy that allows staff paid leave to undertake a reasonable amount of time off for public duties such as Justice of Peace, School Governor duties and training with Reserve Cadet Forces etc.

Schemes such as the Metro and cycle to work schemes are offered to staff to encourage an environmental and community friendly means of commuting. Car use for business purposes is only allowed where it is impractical for staff to travel by public transport.

Our people

Equality and diversity

The HSCIC is committed to equality of opportunity for all employees and potential employees and is fully compliant with the Equality Act (2010). It aims to create an environment in which individual differences and the contributions of all employees are valued, ensuring that no eligible job application or promotion opportunity receives less favourable treatment on the grounds of diversity or disability or is disadvantaged by conditions or requirements which cannot be shown as justifiable.

All staff are required to attend an equality and diversity awareness training course and this is also incorporated into the induction process for new employees.

Employee consultation

The HSCIC is committed to consulting and communicating with staff and their representatives. A Joint Negotiating and Consultative committee meets bi-monthly to discuss organisation wide issues and local consultation takes place with recognised Trades Unions over areas of specific interest.

Employee communication

An intranet site ensures staff have access to a wide range of information relevant to the HSCIC and the health sector at large. In addition, the chief executive issues a weekly bulletin and regular staff briefings are held where executives and senior managers update staff and receive feedback on key issues.

Employee Engagement

The HSCIC participates in the NHS Staff Survey on a voluntary basis in order to be able to benchmark itself against other NHS organisations. The results of the 2011 NHS Staff Survey are extremely positive with a response rate which was 10% higher than the NHS average. Compared with the previous year there were no significant areas of improvement required and the organisation fared well against its nearest comparator group.

Learning and development

The HSCIC is committed to providing employees with the right training and development to support the HSCIC's overall objectives. The development of staff is managed, including disabled employees, within the Knowledge and Skills Framework and their personal development plan. Training is delivered through a number of internal and external interventions. To ensure that training is cost effective whilst maintaining quality the organisation has a preferred training provider which is performance managed to deliver the majority of technical and professional requirements. This arrangement has provided the HSCIC with significant savings when compared to public rates.

Health and safety

The HSCIC recognises and accepts its legal responsibilities in relation to the health, safety and welfare of its employees and for all people using its premises. The HSCIC complies with the Health and Safety at Work Act (1974) and is also operating a Health and Safety Committee under the Safety Representatives and Safety Committee regulations (1977). All staff are required to complete an e-learning package which includes a self assessment of their workspace.

Sickness absence data

During 2011 2,387 days (2010 2,421 days) were lost due to sickness absence. This represents 4.8 days per employee (2010 4.6 days per employee). The above figures are based on calendar years data not financial years.

Pension liabilities

The HSCIC offers the NHS Pension Scheme and maintains existing civil service pension schemes (which are closed to new members) and in doing so makes contributions based on the salary of individual members. Both schemes are unfunded multi-employer defined benefit schemes in which the employer is unable to identify its share of underlying assets and liabilities. The schemes are therefore accounted for as if they are defined contribution schemes.

Remuneration report

This report for the year ended 31 March 2012 deals with the pay of the chair, chief executive and other members of the board.

Remuneration committee

The pay of the executive board directors is set by the remuneration committee based on the outcome of the senior salaries review board recommendations and is reviewed on an annual basis. The remuneration committee consists of three non-executive directors (including the chairman) and all are required to be present. It is chaired by the board chairman Mike Ramsden.

The HSCIC, with the approval of the Department of Health Pay and Oversight committee operates the NHS VSM pay framework under which the executive directors are paid. This entitles each executive director to a bonus of up to 5% for achieving targeted organisational and individually assessed objectives. The executive directors agreed to waive any such awards during 2011/12.

The chief executive and other executive directors are not present for discussions about their own remuneration and terms of service, but may attend meetings of the committee at the chairman's invitation to discuss other employees' terms.

The work of the committee is supported and administered by the chief executive and appropriate staff.

In reaching its recommendations, the remuneration committee took into account:

- the need to recruit, maintain and motivate suitably able and qualified people to exercise their responsibilities
- variations in the labour market and their effects on the recruitment and retention of staff
- relevant Department of Health guidelines and recommendations.

Remuneration policy

The HSCIC aims to pay employees on a fair and equitable basis for the role and responsibilities they undertake, in line with relevant terms and conditions of employment and best practice. All posts other than VSM and non-executive directors have been evaluated under the NHS Agenda for Change (AfC) job evaluation scheme and most staff are employed on AfC terms and conditions.

However, some staff who transferred into the HSCIC from other organisations retain their original terms and conditions under the TUPE transfer provisions. These are primarily former civil service staff.

Those staff on AfC terms and conditions are currently subject to the public sector pay freeze (i.e. there is no annual increase in basic pay to reflect inflation) and only have access to incremental progression if they have not already reached the top of the pay scale. Similar provisions apply to ex-civil service staff who would otherwise be entitled to Performance Related Pay. In both cases, incremental progression is linked to individual performance which is assessed in regular appraisals and, in the case of former civil service staff, a PRP review.

Service contracts

The chief executive and all other permanently employed executive directors are employed under permanent employment contracts with a six month notice period and work for the HSCIC full-time. If their contracts are terminated for reasons other than misconduct, they will come under the terms of the NHS compensation schemes.

Non-executive directors were appointed through the NHS Appointments Commission and its terms and conditions apply to them. All of the non executive directors (other than the chair) are appointed on contracts up to 4 years which are due to expire in either June 2013 or March 2014.

Emoluments of board directors

The remuneration relating to all directors in post during 2011/12 is detailed on the tables below which are subject to audit. No performance pay, bonus, allowances or benefits in kind have been paid. Emoluments of executive directors consist of basic pay.

	Salary 2011/12 (£000)	Salary 2010/11 (£000)	Real increase in pension and related lump sum at normal retirement age# £000	Total accrued Pension at normal retirement age# at 31/3/12 and related lump sum £000	CETV at 31/3/12 £000	CETV at 31/3/11 £000	Real increase in CETV after adjustment for and changes in market investment factors £000
Tim Straughan Chief executive	140-145	140-145	7	45	213	129	56
***Phil Wade** Director of business development and communications	75-80	100-105	4	30	139	105	21
Trevor Doherty Director of finance and performance	125-130	125-130	2	6	101	53	32
Brian Derry Director of information services (resigned on 31 August 2011)	40-45	105-110	(17)	178	–	1,036	(752)
****Mark Davies** Medical director	155-160	155-160	(3)	203	868	756	60
Clare Sanderson Director of information governance	105-110	105-110	3	61	279	239	22
Rachael Allsop Director of workforce	115-120	115-120	–	172	765	667	52
John Varlow Interim director of informatics services (appointed on 1 June 2011)	65-70	–	12	71	223	–	–
Amounts paid to non-executive directors were as follows:							
Mike Ramsden (chairman)	60-65	60–65	–	–	–	–	–
Anthony Allen	10-15	10–15	–	–	–	–	–
Lucinda Bolton	5-10	5–10	–	–	–	–	–
Roger Clarkson	5-10	5–10	–	–	–	–	–
Anthony Land	5-10	5–10	–	–	–	–	–
Michael Pearson	5-10	5–10	–	–	–	–	–

* Phil Wade has been seconded to another organisation since 1st January 2012 and has temporarily resigned his board membership of the HSCIC. The HSCIC has received full recompense for the cost of his salary between the point he went on secondment and 31 March 2012.

** Mark Davies is seconded from the DH Informatics Directorate.

The normal retirement age for members of the 1995 section of the NHS Pension Scheme is 60 and for the 2008 Section of the NHS Pension Scheme is 65.

Directors' expenses during the year are detailed on the HSCIC website at www.ic.nhs.uk/about-us/our-board

In addition to the above, a senior manager has been seconded from Circle plc and the total amount paid, including employer costs, is in the range of £50k - £55k.

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.

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 the HSCIC in the financial year 2011/12 was £155k - £160k (2010/11, £155k - £160k). This was 5.2 times (2010/11, 5.2 times) the median remuneration of the workforce, which was £30,460 (2010/11, £30,460).

No employees received remuneration in excess of the highest-paid director in 2011/12. In 2010/11 5 contractors, whose annual salary has been calculated by taking the daily charge out rate less agency fees multiplied by the average number of working days in a year, exceeded the highest paid director. The actual amounts paid to these contractors will be less than the total as these individuals were not necessarily employed for the full financial year.

Cash equivalent transfer values

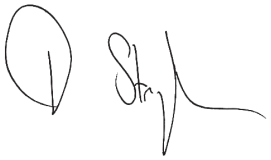
A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment 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 pension 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 from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual transferred to the civil service pension arrangements and for which the civil service vote received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of them purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

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 made by the employee (including the value of any benefits transferred from another pension scheme or arrangements) and uses common market valuation factors for the start and end of the period.

Tim Straughan
Chief Executive
19 June 2012



Statement of the board and chief executive's responsibilities

Under the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, the HSCIC is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the HSCIC's state of affairs at the year end and of its total comprehensive income and expenditure and cash flows for the financial year.

In preparing the accounts, the Board and Accounting Officer are 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 disclosed and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the HSCIC will continue in operation.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the HSCIC as the Accounting Officer, with responsibility for preparing the HSCIC accounts and for transmitting them to the Comptroller and Auditor General. Specific responsibilities include the responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the HSCIC's assets.

Annual governance statement for the year ended 31 March 2012

Scope of responsibility

The primary function of the HSCIC is the collection, processing and dissemination of health and social care data for secondary uses purposes.

The HSCIC has responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives whilst safeguarding the public funds and organisation's assets including data and information in accordance with the responsibilities assigned in *Managing Public Money*.

The senior departmental sponsor for the Department of Health is responsible for ensuring that the HSCIC procedures operate effectively, efficiently and in the interest of the public and the NHS.

Future changes to responsibility

The Health and Social Care Act 2012 confirms the dissolution of the HSCIC as a Special Health Authority, followed by the creation of a new body – the Health and Social Care Centre (new HSCIC) as an Executive Non-Departmental Public Body (ENDPB). The change in status will occur on 1 April 2013.

The Secretary of State confirmed on 24 May 2012 that IT system delivery functions undertaken by NHS Connecting for Health (CfH), together with some informatics delivery functions undertaken by Strategic Health Authorities, would be housed by the new HSCIC from 1 April 2013.

The governance framework

The governance framework comprises the systems and processes, culture and values, by which the HSCIC is directed and controlled, and by which it accounts to and engages with its sponsors and stakeholders. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost effective developments and services.

The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives
- 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 within the HSCIC for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

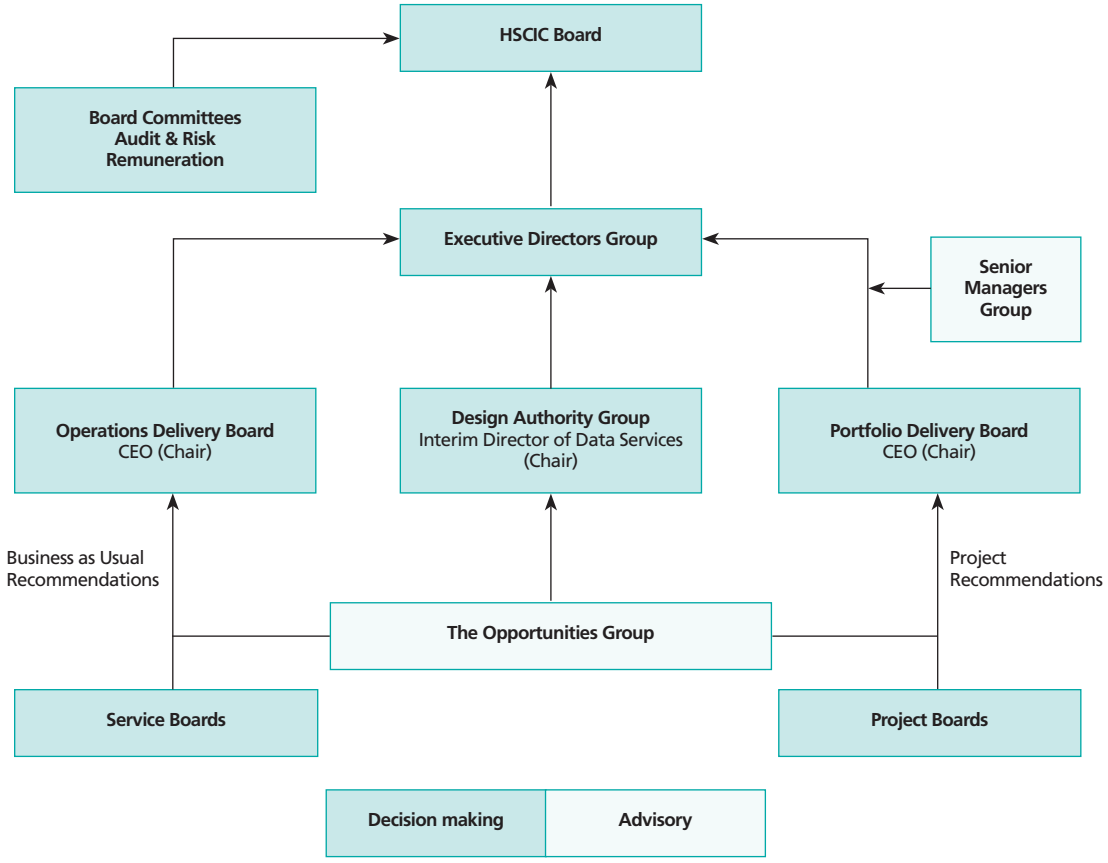
HSCIC Board and committees

The Board has responsibility for defining strategy and determining resource requirements to ensure the delivery of the HSCIC's objectives. The composition, role and main activities of the board and its principal committees are largely unchanged during the year under review and are as follows:

Composition	Meetings attended	Role
Board		The HSCIC board members have corporate responsibility for: • establishing the overall strategic direction of the HSCIC within the policy and resources framework agreed with the DH sponsor • approving business strategy, business plans, key financial and performance targets and the annual accounts • ensuring that the Board operates within the limits of its statutory authority and any delegated authority agreed with DH • ensuring that the HSCIC complies with statutory or administrative requirements for the use of public funds • approving executive director appointments • approving recommendations of board committees • approving income and expenditure over £0.5m and capital expenditure over £250,000 Further details including the conduct of meetings are contained in the HSCIC standing orders and other governance documents. Board meetings comprise a public session, where members of the public are able to attend with all minutes and papers made available on the HSCIC website, in addition to a private session where commercial in confidence matters are discussed.
M Ramsden (Chair)	5	
A Allen	6	
L Bolton	6	
R Clarkson	5	
A Land	6	
M Pearson	6	
Executive directors:		
T Straughan	6	
P Wade (seconded to Health Education England 1 January 2012)	4	
C Sanderson	6	
T Doherty	6	
B Derry (left 31 August 2011)	2	
M Davies	5	
R Allsop	6	
J Varlow (appointed interim on 1 June 2011)	3	
Audit and Risk committee		The committee is charged with providing assurance and making recommendations to the Board on: • the effectiveness of the system of integrated governance, risk management and internal control including information governance, security and data quality risks • the accounting policies, the accounts and the annual report of the organisation • planned audit activity and results of both internal and external audit reports • proposals for tendering audit services • any required changes to key corporate governance documents (standing orders, standing financial instructions and the scheme of delegation) • anti-fraud policies, whistle-blowing processes and arrangements for special investigations – including appointment of a local counter-fraud specialist
A Allen (Chair)	5	
L Bolton	5	
R Clarkson	4	
M Pearson	5	
A Land	5	
Executive directors - in attendance		
T Straughan	4	
T Doherty	5	
C Sanderson	4	
In addition, representatives of both the internal and external auditors attend meetings.		
Remuneration committee		The Board has delegated full responsibility to the remuneration committee to: • make recommendations to the Department of Health (through the pay and performance oversight committee) on the level of the remuneration packages of the chief executive and other executive directors within the provisions of the pay framework for very senior managers (VSMs) in the NHS or successor arrangements • approve the level of any annual performance related pay awards to HSCIC staff on ex-civil service terms and conditions • approve the annual performance objectives and targets of executive directors • ensure that pay arrangements are appropriate in terms of equal pay requirements.
M Ramsden (Chairman)	2	
A Allen	2	
L Bolton	2	
Executive directors – in attendance		
T Straughan	1	
R Allsop	2	

Corporate Governance

The HSCIC is committed to ensuring a high standard of corporate governance. Internal governance arrangements were reviewed during 2011 in the context of the changing role of the organisation and are as follows:



The Executive Directors Group (EDG) is responsible for communicating and delivering the overall strategy for the HSCIC (as agreed by the board) and agreeing policy and procedures whilst supporting implementation. The group meets weekly with action points and decisions disseminated to senior managers and other staff.

Three new internal boards and a new group were established during 2011;

- The Operational Delivery Board (ODB) focuses on business as usual (service and corporate activity) and any capacity issues in undertaking new business as usual work coming out from the Opportunities Group – including:
  - approval of prioritisation of operational activity
  - monitoring and management of operational risks and issues
  - monitoring and management of operational KPIs
  - managing inter-dependencies
  - standardisation of approach
  - capacity planning
  - customer engagement.
- Risks and issues that cannot be resolved at service board level are brought to the ODB for escalation and resolution. Dependencies and benefits across business as usual activity are visible to ensure clarity on the impact of slowing or speeding up delivery to meet the HSCIC objectives.
- The Portfolio Delivery Board (PDB) focuses on prioritising and executing the "right" projects and programmes, ensuring they are delivered to the required standards and maximising the benefits that can be achieved from doing so. Responsibilities mirror those for the ODB.
- The Design Authority Group (DAG) whose purpose is to approve, own and manage the systems, processes, products, services and capabilities which the HSCIC uses to discharge its responsibilities effectively and translating business strategy into effective enterprise change by creating, communicating and improving the key requirements, principles and models that describe the enterprise's future state

- The Opportunities Group (TOG) whose purpose is to assess requests to deliver new work and make recommendations to either the PDB, DAB or ODB as appropriate to:
    - reject the work
    - accept the work and any caveats or conditions (e.g. subject to funding or resources)
    - the relative priority of the work and preferred option(s) for resourcing including the implications for existing work
    - run as a project under PDB or as business as usual under ODB

Performance of the Board and its committees

The Board and the Audit & Risk Committee undertake annual effectiveness reviews. This takes the form of questionnaires, for completion by Board/committee members (and audit representatives in the case of the Audit & Risk Committee) - to assess performance using an agreed scoring mechanism with the opportunity to comment. An anonymised consolidated schedule is then reviewed by the relevant Board or Committee to which it relates.

The review of the Board effectiveness did not highlight any significant issues or concerns that required immediate action although some useful comments were made – particularly in respect of the need to review the skill mix of the Board as the role of the organisation evolves and for pro-active senior level succession planning.

In addition to standing agenda items on the governance and performance of the organisation, the Board discussed a range of topics during 2011/12 – including:

- development of strategy and business plans in the context of a rapidly changing health and care system and a tight financial regime
- transition activity – including implementation of a new operating model to standardise and streamline systems and processes
- input to the pan-government transparency and open data agendas
- input to the Mid Staffordshire NHS Foundation Trust Public Inquiry discussions on the role of information in improving patient care
- information governance strategy
- emerging links and relationships with key stakeholders

The review of the Audit & Risk Committee concluded that the committee is viewed on the whole as performing well and effectively and provides an appropriate level of scrutiny and challenge to HSCIC management. No issues were raised which impact on the content of the Annual Governance Statement but the comments will be useful to inform the nature of the future business of the Committee.

The key areas the Audit & Risk Committee addressed during the year included:

- oversight of 2011/12 annual accounts preparation and recommendation on approval of the final accounts to the Board
- review of the content of the Annual Governance Statement
- strategic steer on and input to internal audit strategy for 2011/12
- review of internal audit reports and monitoring of implementation of associated recommendations – including extensive action to address issues arising from a security audit of HES following a security incident involving the loss of potentially identifiable data by a Public Health Observatory
- review of local counter-fraud specialist work-plan
- review of external audit strategy
- monitoring of adequacy of management of corporate risks and issues
- high level oversight of approach to contracts and procurement

and concluded that:

- there is sufficient evidence to provide the Board with adequate assurance on these matters and generally on the effectiveness of the system of internal control in the HSCIC.

The HSCIC complies with the central government corporate governance code as far as is relevant and there are no material departures identified.

Risk Management

The HSCIC has a well-established risk and issue management process. The process forms a logical sequence of steps necessary to manage risks and issues. Risk registers are maintained monthly by each project and operational service team.

Each category of risk has a tolerance threshold associated with it. In the event that a single risk or group of risks or activity exceed the agreed tolerance threshold, then the results must be escalated to a more senior level in the organisation.

Risks are reported monthly and escalated through the internal governance structure with the top corporate risks and issues ultimately being considered at the Board, Audit and Risk Committee and the Sponsor.

Overall, the HSCIC's appetite for risk could be described as moderate to cautious.

The key risks and issues affecting the HSCIC in 2011/12 and into 2012/13 are:

- Uncertainty around understanding our role and relationship, source of funding and sponsorship of services especially with respect to the ongoing restructure of the Department of Health, Connecting for Health and the NHS Commissioning Board
- Whilst the HSCIC has excellent information governance controls and standards with a 98 per cent score in the Connecting for Health information governance toolkit – the highest in the NHS, the subject remains very sensitive at national level following the Mid Staffordshire inquiry and the third party loss of a laptop in NHS North Central London. Internal audit have undertaken several reviews in year looking specifically at Hospital Episode Service data security and also assessing the potential risk of fraudulent or accidental data manipulation within key databases
- The Health and Social Care Act (2012) makes a number of changes which set out the future role of the new HSCIC. The key risk is ensuring the successful transition from the existing HSCIC to the new HSCIC as an ENDPB housing the additional service delivery functions.

The HSCIC's approach to managing risks to an acceptable level on all aspects of its activities is by aligning the HSCIC's governance framework with its business plan.

Information Governance

Of particular importance to the HSCIC is to ensure that the organisation has very robust information governance procedures in place. Thus the HSCIC has a clear information governance strategy and framework that sets out the people, resources, culture and processes necessary for managing data and information within the organisation. By ensuring that information is managed securely, effectively and efficiently the HSCIC will secure a standard of excellence in information governance. To achieve this, information records are:

- held securely and confidentially
- obtained fairly and efficiently
- recorded accurately and reliably
- used effectively and ethically
- shared appropriately and lawfully

All information processing is undertaken in accordance with legislation and best practice. The HSCIC has set policies and procedures to ensure that appropriate standards are defined, implemented and maintained. Regular reviews of information governance policies and compliance audits are carried out by our internal auditors.

Information governance is included within the mandatory staff induction day for new appointees. In addition, each year all staff complete information governance training in line with requirements of the Connecting for Health information governance toolkit. More specialist training is undertaken by, the senior information risk owner, the information security officer, the Caldicott Guardian, information asset owners and information asset administrators.

At 31 March 2012, all staff have successfully undertaken the appropriate training. The HSCIC completes the NHS Connecting for Health information governance toolkit and achieved a score of 98 per cent in 2011/12, (97 per cent 2010/11). The HSCIC completes the secondary uses version of the information governance toolkit which requires evidence that robust information governance controls are in place to protect our information assets and in particular patient confidentiality.

In the Cabinet Office's interim progress report on data handling procedures, published on 17 December 2007, Official Report, column 98WS, government made a commitment that its departments will report information risk management in their annual accounts in particular whether there have been any personal data related incidents. There are no protected personal data incidents to report either in 2011 or 2012 to the date of signing these accounts. This includes those incidents that would need to be formally reported to the Information Commissioners Office (ICO) and those that would be deemed not to require reporting to the ICO.

The HSCIC is subject to the Data Protection Act 1998 and has filed the appropriate notification with the ICO.

During 2011/12, 242 Freedom of Information requests and 30 Subject Access requests were received. There were no breaches of the required timeframes.

Serious and untoward incidents

The HSCIC takes all serious and untoward incidents seriously and has a comprehensive system for dealing with untoward incidents to ensure that any potential impact on our customers is minimised, and the HSCIC learns from these incidents to prevent repeats. The system covers recording, reporting, monitoring, root cause analysis and publishing lessons learned. It also includes reporting on third parties incidents where our data is involved. Untoward incidents are reported to the Operational Delivery Board, with escalation to the Executive Directors Group and included in the Performance Report to the HSCIC Board and our Sponsor. No serious incidents occurred in 2012/12 and there were only a small number of untoward incidents.

There have been no recorded breaches of personal data provisions during 2011/12.

As a public information holder, the HSCIC has complied with the cost allocation and charging requirements of HM Treasury and the Office of Public Sector Information. We can confirm that no charges were made for access to information during 2011/12

Review of effectiveness

As accounting officer, I have responsibility, together with the Board, for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways:

- through submission of the Audit & Risk Committee minutes and its annual report to the Board.
- the head of internal audit provides an opinion on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the internal audit work. The internal audit assurance statement concluded 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. However, some weaknesses in the design and / or inconsistent application of controls, puts the achievement of particular objectives at risk. Using the terminology set out in the Department of Health guidance to Heads of Internal Audit, this opinion would equate to Significant Assurance. We have undertaken an assessment of the range of individual opinions arising from risk-based audit assignments, contained within the internal audit plan that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses."
- following individual audit reviews, action plans are put in place to address recommendations with progress reviewed by the Audit & Risk Committee on a regular basis. Significant internal audit reports included:
  - untowards incidents: the HSCIC has set up a specific process for reporting and acting upon untowards incidents together with a methodology for learning from such events. However the report indicated that compliance across the organisation was not consistent and certain teams did not follow the agreed corporate process. We have taken on board staff comments as to the weakness of the process and issued new guidance. Compliance will be reviewed regularly.

- following the third-party loss of a laptop containing HES data in NHS North Central London, a review of data security within the HES system supplier was undertaken. The review provided an opportunity to examine the HES system suppliers operation and identify where the security risks lay. The findings of this review had also been used to inform the re-procurement of the HES service. All the actions but one have been implemented. The oustanding risk was now assessed as being low or low/ medium and has beeen transferred to the risk register for on-going management and further mitigation by the HES team.

- senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurances, including signed statements from each executive director
- through clear performance management arrangements in place with executive directors and senior managers
- the assurance framework itself provides evidence on the effectiveness of controls that manage the risks to the organisation
- by the findings of the National Audit Office as the organisation's external auditors. We have actioned the recommendations made following the conclusion of the 2010/11 year end process, in particular:
    - have developed a revised fixed asset register process to ensure assets are correctly recorded
    - the FReM disclosure checklist has been reviewed by the Head of Finance to ensure that all disclosure requirements have been identified and considered
    - procurement controls have been tightened to ensure that any expenditure which may breach OJEU thresholds have been identified

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 and Risk Committee and am accordingly aware of the significant issues that have been raised.

Significant internal control issues

At the 31 March 2012 there were no significant control issues outstanding arising from reviews undertaken in the financial year that have not been addressed.

Like any organisation, there are a number of risks relating to external factors over which control is difficult. The current pressures on public expenditure have had a significant impact upon our funding in 2011/12 and will continue in future years.

Key risk management issues for the HSCIC during 2011/12 were:

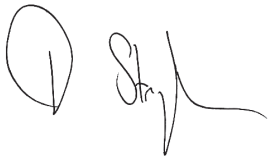
- the restrictions on recruitment of staff and contingent labour resulted in delays to the completion of various projects and deliverables
- investing time and expertise of directors and senior staff in responding to the White Paper, the Health Bill as it progressed through Parliament, the Informatics Strategy and a large number of new requests for data on many aspects of our staffing, infrastructure and commercial arrangements
- the planning work required to house potential functions to be transferred from DH and other arms length bodies and deliver the new role and remit for the organisation as a statutory non-departmental public body

We mitigated these risks as far as possible by:

- prioritisation of work and resources
- ensuring key stakeholders are aware of the services we provide for them and the potential impact of the ongoing reduction in our core grant in aid funding. We have agreed new processes to obtain financial support from the DH Director Generals who fund the HSCIC, and if necessary, agreed to postpone deadlines or de-scope deliverables
- discussing these matters with DH.

I believe that the HSCIC has continued to develop and employ an appropriate control environment throughout 2011/12. The control environment will continue to be further developed to meet changing needs.

Tim Straughan
Chief Executive
19 June 2012



The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Health and Social Care Information Centre 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 accounting officer and auditor

As explained more fully in the statement of the Board and chief executive responsibilities, the Board and 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 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 Health and Social Care Information Centre's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Health and Social Care Information Centre; 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 became 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 reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 Health and Social Care Information Centre's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance the National Health Services 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 or 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

In forming my opinion, which is not qualified, I draw attention to the disclosures made in note 1.19 of the financial statements concerning the application of the going concern principle in the light of the dissolution of the Health and Social Care Information Centre as a Special Health Authority and the establishment of a new Non-Department Public Body also to be known as the Health and Social Care Information Centre. As the (Special Health Authority) Health and Social Care Information Centre's functions along with the associated assets and liabilities are transferring to another Government body, it remains appropriate for the Health and Social Care Information Centre to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
26 June 2012

Statement of comprehensive net expenditure
For the year ended 31 March 2012

	Notes	2011/12 £000	2010/11 £000
Administration costs			
Staff costs	4	19,995	–
Non staff costs	7	19,610	–
Income	6	(4,336)	–
Programme costs			
Staff costs	4	3,609	28,616
Non staff costs	7	3,055	28,103
Income	6	(6,755)	(16,911)
Net operating cost		**35,178**	**39,808**
Net resource outturn		**35,178**	**39,808**

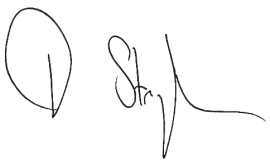
The statement of comprehensive net expenditure income and expenditure from 2011/12 is analysed between administration and programme. In line with guidance issued by the Department of Health, the prior year comparatives have not been restated.

Notes numbered 1 to 24 form part of this account

Statement of financial position
For the year ended 31 March 2012

	Notes	31 March 2012 £000	31 March 2011 £000 (as restated)
Non-current assets			
Property plant and equipment	8	2,620	3,572
Intangible assets	9	12,431	9,765
Financial assets	10	–	–
Total non-current assets		**15,051**	**13,337**
Current assets			
Trade and other receivables	11	4,665	4,681
Cash and cash equivalents	12	5,786	3,757
Total current assets		**10,451**	**8,438**
Total assets		**25,502**	**21,775**
Current liabilities			
Trade and other payables	13	(3,480)	(3,892)
Other liabilities	13	(6,600)	(7,151)
Total current liabilities		**(10,080)**	**(11,043)**
Non-current assets plus net current assets		**15,422**	**10,732**
Non-current liabilities			
Provisions	14	(765)	(997)
Assets less liabilities		**14,657**	**9,735**
Taxpayers' equity			
General fund		14,648	9,723
Revaluation reserve		9	12
Total taxpayers' equity		**14,657**	**9,735**

Details of the restatement of 2010/11 are contained in note 23
Notes numbered 1 to 24 form part of this account
The financial statements on pages 36 to 55 were approved by the Board on 13 June 2012 and signed on its behalf by



T Straughan
Chief Executive

Dated
19 June 2012

Statement of cash flows
For the year ended 31 March 2012

	Notes	2011/12 £000	2010/11 £000 (as restated)
Cash flows from operating activities			
Net operating cost		(35,178)	(39,808)
Adjustment for non cash transactions		4,894	8,207
Decrease / (increase) in trade and other receivables	11	15	(83)
Increase / (decrease) in trade and other payables	13	441	(4,144)
Use of provisions	14	(1,343)	(359)
Net cash outflow from operating activities		**(31,171)**	**(36,187)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(63)	(1,388)
Purchase of intangible assets		(6,837)	(1,263)
Joint venture capital reduction		–	4,000
Net cash (outflow) / inflow from investing activities		**(6,900)**	**1,349**
Cash flows from financing activities			
Net parliamentary funding - drawn down		40,100	35,500
Net increase in cash and cash equivalents in the period	12	**2,029**	**662**
Cash and cash equivalents at the beginning of the period	12	3,757	3,095
Cash and cash equivalents at the end of the period	12	5,786	3,757
Net increase in cash and cash equivalents in the period	12	**2,029**	**662**

Details of the restatement of 2010/11 are contained in note 23.
Notes numbered 1 to 24 form part of this account

Statement of changes in taxpayers' equity
For the year ended 31 March 2012

	Notes	General fund £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2010		**22,029**	**14**	**22,043**
Changes in taxpayers' equity for 2010/11				
Net operating costs for the year		(39,808)	–	(39,808)
Transfer of joint venture	10	(8,000)	–	(8,000)
Transfer between reserves		2	(2)	–
Total recognised income and expense for 2010/11		**(47,806)**	**(2)**	**(47,808)**
Net parliamentary funding – drawn down		35,500	–	35,500
Balance at 31 March 2011		**9,723**	**12**	**9,735**
Balance at 1 April 2011		**9,723**	**12**	**9,735**
Changes in taxpayers' equity for 2011/12				
Net operating costs for the year		(35,178)	–	(35,178)
Transfer between reserves		3	(3)	–
Total recognised income and expense for 2011/12		**(35,175)**	**(3)**	**(35,178)**
Net parliamentary funding – drawn down		40,100	–	40,100
Balance at 31 March 2012		**14,648**	**9**	**14,657**

Notes numbered 1 to 24 form part of this account

Notes to the accounts

1.1 General Information

The Health and Social Care Information Centre (HSCIC) is an arms length body of the Department of Health incorporated in England. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the HSCIC is the collection, analysis and dissemination of health data for secondary uses purposes.

1.2 Accounting policies

The financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted and interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the HSCIC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the HSCIC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.3 Accounting Conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible non-current assets. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury. Special Health Authorities are not required to provide a reconciliation between current cost and historical cost surplus and deficits.

1.4 Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the HSCIC and the income can be reliably measured.

The main source of funding is a parliamentary grant from the Department of Health within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is accounted for by applying the accruals convention and primarily comprises of fees and charges for services provided on a full cost basis to Department of Health departments, other health related bodies and external customers. Charges comply with HM Treasury and Office of Public Sector Information guidance.

Deferred income refers to:

- income received or credited in the year for which the related costs have not been incurred. The stage of completion of programmes is determined by an estimation of labour and services by 3rd party suppliers and recharges of internal labour costs
- monies received as a grant or contribution towards capital expenditure which is then written down and released to the operating cost statement in line with the depreciation charged on the assets.

1.5 Administration and programme expenditure

The statement of comprehensive net expenditure is analysed between administration and programme income and expenditure. Prior to 2011/12 all income and costs was classified to be programme. However in 2011/12 income and expenditure has been split using a classification following a definition set out in the guidance provided by the Department of Health. It has been agreed by HM Treasury that the comparatives do not require to be restated.

1.6 Taxation

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

1.7 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 in the statement of comprehensive net expenditure.

1.8 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.

1.9 Non current assets

a. Capitalisation

All assets falling into the following categories are capitalised:

1) Intangible assets, include software development costs and the purchase of computer software licences, 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.

2) Tangible assets which are capable of being used for more than one year, and they:

- individually have a cost equal to or greater than £5,000
- collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control: or
- form part of the initial equipping and setting up cost of a new building irrespective of their individual cost.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

b. Valuation

Tangible assets are stated at the lower of replacement cost and recoverable amount as a proxy for fair value.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised cost as a proxy for fair value.

c. Depreciation

Development expenditure is not depreciated until such time that the asset is brought into effective use.

Otherwise, depreciation and amortisation is charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives as follows:

1) intangible assets are amortised, on a straight line basis, over the estimated life of the asset or 5 years whichever is less

2) purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic life

3) each equipment asset is depreciated on a straight line basis over its expected useful life as follows

- fixtures and fittings 7 - 13 years
- office, information technology, short life equipment 3 - 5 years

The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

1.10 Joint venture

The interest in the joint venture was transferred to the Department of Health in 2010/11.

The investment in the joint venture was accounted for under the principles of IAS 31 Joint Ventures.

In accordance with the provisions of IAS 31 and the provisions in IFRS 1 we have treated the investment in the Dr Foster Intelligence (DFI) joint venture as a non current asset investment shown at cost, less any amounts written off. This was subject to a valuation at 31 March 2010.

1.11 Research and development

Expenditure incurred on pure and applied research is treated as an operating charge in the year in which it is incurred. Development expenditure is for the development of specific business systems. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Development costs meeting the criteria for capitalisation are treated as intangible non-current assets and amortised as explained in the intangible non-current asset note. Non-current assets acquired for use in development are depreciated over the expected useful life of the asset.

1.12 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Amounts held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

1.13 Provisions

Provisions are recognised when a present obligation exists as a result of a past event, and it is probable that the HSCIC will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

1.14 Accounting for government grants

The development of non-current assets, notably software and IT systems is sometimes made in collaboration with other health sector organisations, for which those other organisations make a contribution towards the cost. In line with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the income is credited to the deferred income account and is released to income to offset the amortisation charge over the expected useful life of the related assets.

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the NHS IC discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.16 Pensions

NHS IC employees are covered by the NHS Pension Scheme. The NHS Pension Scheme is a defined benefit scheme and the NHS IC contributions are charged to the statement of comprehensive net expenditure as and when they are due so as to spread the cost of pensions over the employee's working life with the NHS IC. Further details of the provision of pensions to staff are given in note 4.

1.17 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Revenue recognition

The HSCIC receives income from various sources to cover the cost of expenditure on various project related and other activities. Expenditure is regularly incurred over several financial years and income is released to the statement of net expenditure in order to reflect as closely as possible the phasing of this expenditure incurred.

Dilapidation provision

The HSCIC has provided £690,000 as a provision against dilapidation costs at its leased accommodation in Leeds and London. In order to assess an estimate of the likely liabilities at the end of the leases, management commissioned a report in 2008 from a professional firm of property advisors which is used as the basis of the provision.

Tribunal Liabilities

A provision has been made for the potential liabilities from outstanding legal cases. The directors have, based on advice from legal representatives, estimated the potential liability that will occur.

1.18 Business and geographical segment

The HSCIC has adopted IFRS 8 Operating Segments with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the business that are regularly reviewed by the chief executive to allocate resources to the segments and to assess their performance.

1.19 Going concern

The Health and Social Care Act 2012 approved by Parliament on 27 March 2012 confirms the dissolution of the HSCIC as a Special Health Authority, followed by the creation of a new body – the Health and Social Care Information Centre (new HSCIC) as an Executive Non-Departmental Public Body (ENDPB). The change to HSCIC's statutory status will occur on 1 April 2013.

All the functions of the HSCIC as a Special Health Authority, together with the IT systems delivery function currently undertaken by the DH Informatics Directorate and certain informatics functions within Strategic Health Authorities would transfer to the ENDPB. Funding from the Department of Health will continue.

The accounts have therefore been prepared on a going concern basis.

2 Statement of operating costs by activity

For the year ended 31 March 2012

Aim: To deliver timely, relevant and accurate information for frontline health and social care staff to help improve decision making and thus enable better quality patient care.

2011/12 £000	Information Services	NHS Central Register	Clinical Audit	Programme Delivery	Information Governance	Supporting Functions	Total
Core funding	25,300	3,437	–	5,311	1,357	1,900	37,305
Other income	4,461	1,446	3,497	1,053	1	633	11,091
Staff costs	(10,120)	(2,763)	(1,383)	(3,235)	(743)	(5,360)	(23,604)
Other costs	(12,558)	(1,006)	(989)	(1,602)	(135)	(6,375)	(22,665)
Contribution	**7,083**	**1,114**	**1,125**	**1,527**	**480**	**(9,202)**	**2,127**
Central overhead	(6,046)	(998)	(634)	(1,289)	(235)	9,202	–
Net surplus	**1,037**	**116**	**491**	**238**	**245**	**–**	**2,127**

2010/11 £000	Information Services	NHS Central Register	Clinical Audit	Programme Delivery	Information Governance	Supporting Functions	Total
Core funding	26,793	3,879	–	6,201	1,633	1,900	40,406
Other income	6,799	1,317	3,549	2,815	–	2,431	16,911
Staff costs	(10,615)	(3,133)	(2,066)	(5,866)	(863)	(6,073)	(28,616)
Other costs	(14,033)	(1,156)	(751)	(2,585)	(20)	(9,558)	(28,103)
Contribution	**8,944**	**907**	**732**	**565**	**750**	**(11,300)**	**598**
Central overhead	(6,879)	(943)	(827)	(2,338)	(313)	11,300	–
Net surplus	**2,065**	**(36)**	**(95)**	**(1,773)**	**437**	**–**	**598**

The statement of financial position is reported internally as a single segment. Accordingly no segmental analysis of assets and liabilities is reported.

The segmental analysis represents the key areas of activity for the HSCIC breaking down the business into its main core themes.

Information Services
Responsible for nearly all of the HSCIC's core services, publications and other products and services. While a significant element of the work focuses on a range of strategic and developmental areas, the majority of staff remain committed to continuing to produce the core data and information flows on which many of the new indicators, reporting tools, and syndication opportunities rely.

NHS Central Register
To manage and address the data quality issues arising in the NHS Master Patient Index and provide a range of services associated with this index to other health related organisations and research studies.

Clinical Audit
Delivery of informatics aspects of clinical audits, which aim to review patient care and outcomes against clinical guidelines, ensuring that what should be done clinically is being done. The HSCIC works in partnership with clinical and patient groups, to deliver contractual requirements set by the National Commissioning Agency.

Programme Delivery
A series of strategic priority programmes to identify and develop more focussed and relevant information, by analysing data already collected by the wider system in a more efficient manner but also identifying new data requirements where there are identified gaps.

Information Governance
An approach of continuous improvement in the development and application of information governance policies throughout its business to provide assurance and demonstrate its competency as a trusted custodian of health and social care data.

Supporting Functions
Includes IT costs; depreciation; accommodation for Trevelyan Square, Leeds; corporate services; marketing; contact centre; central governance etc

3 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have not been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRS 7 Financial Instruments - disclosures	Effective for annual periods beginning on or after 1 January 2013. To prescribe arrangements for offsetting financial assets and financial liabilities.
IFRS 9 Financial Instruments	Effective for annual periods beginning on or after 1 January 2015. The amendments consolidate disclosure and recognition issues in connection with financial instruments including IAS 32 and IAS 39.
IFRS 10 Consolidation	Effective for annual periods beginning on or after 1 January 2013. To establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
IFRS 11 Joint ventures	Effective for annual periods beginning on or after 1 January 2013. To clarify when a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 Disclosure on interest in other entities	Effective for annual periods beginning on or after 1 January 2013. To clarify how certain aspects of existing IASB literature are to be applied to service concession arrangements.
IFRS 13 Fair value measurement	Effective for annual periods beginning on or after 1 January 2013. Seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'.
IAS 1 Presentation of comprehensive income	Effective for annual periods beginning on or after 1 July 2012. Amendments to describe the way that other comprehensive income is presented.
IAS 12 Income tax	Effective for annual periods beginning on or after 1 January 2012. Changes to deferred tax recognition and measurement of underlying assets.
IAS19 Employee benefits	Effective for annual periods beginning on or after 1 January 2013. Changes to post employments benefits and termination benefits.
IAS 27 Separate financial statements	Effective for annual periods beginning on or after 1 January 2013. Has the twin objectives of setting standards to be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent; and in accounting for investments in subsidiaries, jointly controlled entities, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.
IAS 28 Associates	Effective for annual periods beginning on or after 1 January 2013. To clarify when an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognised in profit or loss.
IAS 32 Financial Instruments - presentation	Effective for annual periods beginning on or after 1 January 2014. Amendments to application guidance on the offsetting of financial assets and financial liabilities.

4 Staff numbers and related costs

	Administration £000	Programme £000	2011/12 £000	2010/11 £000
Salaries and wages	15,432	2,209	17,641	19,365
Social security costs	1,310	187	1,497	1,547
Employer superannuation contributions – NHSPA	1,657	235	1,892	2,035
Employer superannuation contributions – other	490	73	563	619
Staff seconded to other organisations	243	–	243	130
	19,132	**2,704**	**21,836**	**23,696**
Temporary staff	508	108	616	470
Contractors	2,847	797	3,644	5,212
Capitalised staff costs	(2,492)	–	(2,492)	(762)
	19,995	**3,609**	**23,604**	**28,616**

The average number of whole term equivalent persons employed during the year was:	2011/12 Number	2010/11 Number
Permanent staff	491	530
Temporary and contract staff	47	53
Total	**538**	**583**

The average number of whole term equivalent persons employed during the year whose time was capitalised was 33 (2011/12–9)

During the year, provisions for staff termination costs of £551,344 have been made (2010/11 £1,521,000)

Expenditure on staff benefits

There were no amounts spent on staff benefits during the year (2010/11: £NIL)

Retirements due to ill health

During 2011/12 there were no early retirements from the HSCIC on the grounds of ill health (2010/11: None).

Most HSCIC staff are covered by the NHS Pensions Scheme, although a number belong to the Principal Civil Service Pension Scheme (PCSPS)

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share in the underlying Scheme assets and liabilities. Therefore the Scheme is accounted for as if it was a defined contribution scheme.

The Scheme is subject to a full actuarial valuation every four years (until 2004, every five years), and a IAS 19 Employee Benefits 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.

However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14 per cent of pensionable pay. On advice from the Scheme actuary, contributions may be varied from time to time to reflect changes in the Scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6 percent of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5 per cent up to 8.5 per cent of their pensionable pay depending on total earnings.

a. IAS 19 Accounting valuation

In accordance with IAS 19, a valuation of the Scheme liability is carried out annually by the Scheme actuary as at the year end date 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 2012, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2012 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. The NHS Pension Scheme provides defined benefits which are summarised below. This list is an illustrative guide only and is not intended to list all the Scheme benefits or the specific conditions that must be met before these benefits are obtained.

Annual pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to three years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

Pensions indexation

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

Ill health retirement

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the Scheme except where the retirement is due to ill-health.
For early retirements not funded by the Scheme, the full amount of the liability for the additional costs is charged to the operating cost statement at the time the HSCIC commits itself to the retirement, regardless of the method of payment.

Death benefit

A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional Voluntary Contributions (AVC's)

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

Further details of the Scheme can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

Principal Civil Service Pension Scheme (PCSPS)

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded, with the costs of benefit met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the retail price index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with the benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). The employer also contributes a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The PCSPS scheme is an unfunded multi-employer defined benefit scheme in which the employer is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was undertaken on 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: (www.civilservice-pensions.gov.uk). For 2011/12, employers contributions of £563,000 were paid at one of four rates in the range 16.7 per cent to 24.3 per cent. The contribution rates reflect benefits as they accrue, not the costs as they are incurred, and reflect past experience of the scheme.

5.1 Reconciliation of net operating cost to net resource outturn

	Administration £000	Programme £000	2011/12 £000	2010/11 £000
Net resource outturn	35,269	(91)	35,178	39,808
Revenue resource limit	36,652	653	37,305	40,406
Underspend against revenue resource limit	**1,383**	**744**	**2,127**	**598**

5.2 Reconciliation of gross capital expenditure to capital resource limit

	2011/12 £000	2010/11 £000
Capital expenditure	6,316	3,447
Capital resource limit	10,949	7,184
Underspend against capital resource limit	**4,633**	**3,737**

6 Income

Operating income analysed by classification and activity is as follows:	Administration £000	Programme £000	2011/12 £000	2010/11 £000
Income towards programme activities	1,631	439	2,070	4,458
Funding for surveys and publications	811	391	1,202	3,396
Fees and charges	–	4,889	4,889	7,826
Other income	1,894	1,036	2,930	1,231
	4,336	**6,755**	**11,091**	**16,911**

Included in the above number is income received from The Scottish Parliament £75,209 (2010/11 £134,841), The National Assembly for Wales £282,253 (2010/11 £367,372) and The Northern Ireland Assembly £135,534 (2010/11 £61,703).

Income towards programme activities relates to funding for a number of workstreams including the General Practice Extract Service, NHS Choices data provision, National Diabetes Information Service and Social Care.

Fees, charges and other income includes secondee income from other bodies.

The following information is provided for fees and charges purposes in accordance with the requirements of the FReM

	Clinical Audit Services £000	Data Related Services £000	2011/12 Total £000	2010/11 Total £000
Income	3,497	1,392	4,889	7,826
Less direct costs and overheads	(2,371)	(1,003)	(3,374)	(6,201)
Contribution	1,126	389	1,515	1,625
Allocation of central overheads	(634)	(266)	(900)	(1,399)
Net surplus	492	123	615	226

Income towards the clinical audit programme relates to funding mainly from the Healthcare Quality Improvement Programme (HQIP) to undertake the collection, analysis and reporting of data across a number of clinical areas such as diabetes, renal and various cancer specialisms. The financial objective of the clinical audit programme is full cost recovery.

Data related services relates to the provision of health related data in a form the customer requires, data linkage services and extracts for research purposes. The financial objective is to recover full direct cost plus a percentage mark up.

7 Non Staff Costs

	2011/12 Administration £000		2011/12 Programme £000		2011/12 Total £000		2010/11 Total (as restated) £000	
External contractors	11,721		1,615		13,336		15,081	
Training and conferences	354		59		413		169	
Travel	348		63		411		572	
Accommodation costs	2,156		163		2,319		2,346	
IT maintenance and support	691		220		911		946	
Office services	168		109		277		353	
Advertising and publicity	71		56		127		202	
External audit services	66		–		66		68	
Bad debt charge	(98)		–		(98)		103	
Miscellaneous	7		–		7		56	
Non cash transactions								
Depreciation and amortisation	4,126		477		4,603		4,103	
Impairment and loss on sale of assets	–		–		–		2,465	
Provisions	–	4,126	293	770	293	4,896	1,639	8,207
		19,610		**3,055**		**22,665**		**28,103**

The analysis of non staff costs has been amended in order to provide a more meaningful analysis. In particular, the bad debt charge has been separately disclosed and the personal IT equipment analysis has been merged with IT maintenance and support.

8 Non-current assets - property, plant and equipment

	Information technology £000	Fixtures and fittings £000	Total (as restated) £000
Cost or Valuation			
At 1 April 2011	4,064	2,511	6,575
Additions	29	9	38
Disposals	(796)	(251)	(1,047)
At 31 March 2012	**3,297**	**2,269**	**5,566**
Depreciation			
At 1 April 2011	2,076	927	3,003
Provided during the year	710	281	991
Disposals	(796)	(252)	(1,048)
At 31 March 2012	**1,990**	**956**	**2,946**
Net book value at 1 April 2011	1,988	1,584	3,572
Net book value at 31 March 2012	**1,307**	**1,313**	**2,620**

The total amount of depreciation charged in the operating cost statement in respect of assets held under finance leases and hire purchase contracts was £nil.

The gross cost of property, plant and equipment that has been fully depreciated but is still in use is £237,098 (2010/11 £603,061).

In 2010/11 and prior years, system developments spanning more than one year have been disclosed as assets in the course of construction within property, plant and equipment. However, the largest element of expenditure is software development which is accounted for within intangible assets. Consequently, such expenditure has been restated as 'development expenditure' within intangible assets. The value of assets reclassified amounted to £1,959,000 at April 2011.

In addition, the opening depreciation for information technology within property, plant and equipment has increased by £166,000 and the opening amortisation for information technology within intangible assets has been decreased by £166,000 to amend a misstatement arising following a transfer of assets in 2010/11.

9 Non current assets - intangible assets

Cost or Valuation	Software licences £000	Information technology £000	Development Expenditure £000	Websites £000	Total (as restated) £000
At 1 April 2011	396	13,300	1,959	1,425	17,080
Additions	604	1,382	4,145	147	6,278
Disposals	(33)	(1,658)	–	–	(1,691)
Transfers	–	1,350	(1,350)	–	–
At 31 March 2012	**967**	**14,374**	**4,754**	**1,572**	**21,667**
Depreciation					
At 1 April 2011	221	6,731	–	363	7,315
Provided during the year	76	3,312	–	224	3,612
Disposals	(33)	(1,658)	–	–	(1,691)
Transfers	(44)	44	–	–	–
At 31 March 2012	**220**	**8,429**	**–**	**587**	**9,236**
Net book value at 1 April 2011	175	6,569	1,959	1,062	9,765
Net book value at 31 March 2012	**747**	**5,945**	**4,754**	**985**	**12,431**

The gross cost of intangible assets that has been fully depreciated but is still in use is £2,172,336 (2010/11 £2,156,224)

The value of own staff capitalised within intangible assets additions amounts to £753,994 (2010/11 £67,532)

In 2010/11 and prior years, system developments spanning more than one year have been disclosed as assets in the course of construction within property, plant and equipment. However, the largest element of expenditure is software development which is accounted for within intangible assets. Consequently, such expenditure has been restated as 'development expenditure' within intangible assets. The value of assets reclassified amounted to £1,959,000 at April 2011.

In addition, the opening depreciation for information technology within property, plant and equipment has increased by £166,000 and the opening amortisation for information technology within intangible assets has been decreased by £166,000 to amend a misstatement arising following a transfer of assets in 2010/11.

10 Financial assets

Investment in joint venture	31 March 2012 £000	31 March 2011 £000
Balance at 1 April	–	12,000
Disposal	–	(12,000)
Balance at 31 March	**–**	**–**

The HSCIC investment in the joint venture arrangement known as Dr Foster Intelligence Limited was disposed of during 2010/11 as follows:

– On 1 April 2010 Dr Foster Investment undertook a capital reduction for which the HSCIC received £4,000,000
– On 1 July 2010 the whole of the HSCIC shareholding in DFI was transferred to the Department of Health at the remaining book value of £8,000,000.

11 Trade receivables and other current assets

Amounts falling due within one year	31 March 2012 £000	31 March 2011 £000
Trade receivables	3,879	3,474
Value added tax	438	94
Prepayments and other receivables	348	1,113
	4,665	**4,681**

Intra-government balances

Intra-government balances within trade receivables and other current assets are as follows:	31 March 2012 £000	31 March 2011 £000
Department of Health and other central government bodies	2,942	2,629
NHS Trusts & PCTs	136	38
Other external bodies	1,587	2,014
	4,665	**4,681**

12 Cash and cash equivalents

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April	3,757	3,095
Net changes in cash and cash equivalents	2,029	662
Balance at 31 March	**5,786**	**3,757**

Bank balances are held with Citibank, Royal Bank of Scotland and Paymaster General Office under the Government Banking Service. As this arrangement includes regular clearing down of balances, the Government Banking Service is deemed to operate as one account for reporting purposes.

13 Trade payables and other current liabilities

Amounts payable within one year	31 March 2012 £000	31 March 2011 (as restated) £000
Trade payables	1,925	1,868
Other payables	1,555	2,024
	3,480	**3,892**
Taxation and social security	476	499
Deferred income	3,086	3,102
Accruals	1,893	1,587
Provisions	1,145	1,963
	6,600	**7,151**
Total payables and other current liabilities	**10,080**	**11,043**

The accrual for capital expenditure has been reallocated from accruals to other payables to be consistent with the Department of Health accounting treatment.

Intra-government balances

Intra-government balances within trade payables and other current liabilities are as follows:	31 March 2012 £000	31 March 2011 £000
Department of Health and other central government bodies	2,885	298
NHS Trusts & PCTs	136	48
Other external bodies	7,059	10,697
	10,080	**11,043**

14 Provisions for liabilities and charges

	Injury benefit £000	Onerous leases £000	Dilapidations £000	Staff termination £000	Total £000
Balance at 1 April 2011	124	178	690	1,968	2,960
Arising during the year	–	–	–	551	551
Utilised during the year	(4)	(137)	–	(1,202)	(1,343)
Reversed unutilised	(120)	–	–	(138)	(258)
Balance at 31 March 2012	**–**	**41**	**690**	**1,179**	**1,910**
Expected timing of cash flows					
Within 1 year	–	–	140	1,005	1,145
1–5 years	–	41	185	156	382
Over 5 years	–	–	365	18	383

The injury benefit relates to contributions towards a previous employee who retired from the NHS Information Authority, the predecessor organisation to the HSCIC. NHS Pensions have advised that the amount due is no longer required.

Onerous leases relate to the anticipated costs for a vacant property in Exeter and a floor in the Leeds offices in Leeds and represents costs payable to the end of the lease less contributions from subtenants.

The dilapidation provision refers to the anticipated costs for remedial works at the end of the leases for the Leeds and London offices and is based on an assessment by a property advisor

Staff termination costs refer to the cost of employee voluntary and compulsory redundancies and provisions for tribunal claims. Payments are made monthly to NHS Pensions as part of a top up for future pension commitments or directly through the payroll.

Total staff termination packages are detailed as follows:

Exit package cost band	2011/12 Number of compulsory redundancies	2011/12 Number of other departures agreed	2011/12 Total number of exit packages by cost band (total cost)	2010/11 Number of compulsory redundancies	2010/11 Number of other departures agreed	2010/11 Total number of exit packages by cost band (total cost)
<£20,001	–	–	–	*	10	10
£20,000 - £40,000	–	–	–	*	10	10
£40,000 - £100,000	–	–	–	*	10	10
£100,000 - £150,000	–	–	–	*	*	*
£150,000 - £200,000	–	–	–	*	*	*
				11	**27**	**38**
Total	–	–	–	**(£419,206)**	**(£779,451)**	**(£1,198,657)**

* The number of exit packages have been rounded to the nearest 10 and where below 5 have been asterixed.

The amounts arising in the year relate to changes to the provisions made at 31 March 2011.

15 Capital commitments

Capital commitments as at 31 March 2012 amount to £7,224,951 (2010/11 £NIL). The majority of the commitments relate to contracts entered into to develop the infrastructure and software for the General Practice Extraction System.

16 Commitments under operating leases

Expenditure includes the following in respect of operating leases:	**2011/12 £000**	**2010/11 £000**
Accommodation	1,316	1,423
Operating leases	261	248
	1,577	**1,671**
At the reporting date, the HSCIC is committed to making the following payments under non cancellable operating leases for:		
Land & buildings		
The next year	1,178	1,109
Years two through five combined	3,221	3,065
Beyond five years	193	944
	4,592	**5,118**
Office equipment		
The next year	6	194
Years two through five combined	13	47
	19	**241**
Total	**4,611**	**5,359**

17 Other commitments

The HSCIC has not entered into any non-cancellable contracts (which are not operating leases) for the provision of services as at 31 March 2012 (31 March 2011 £NIL).

18 Contingent assets and liabilities

There are no contingent assets or liabilities at 31 March 2012 (31 March 2011 - £NIL).

19 Losses and special payments

There was one loss and special payment in 2011/12 amounting to £50 (2010/11 £30,428).

Interest totalling £10 was paid under the Late Payment of Commercial Debt (Interest) Act 1998 (2010/11 £294).

20 Related parties

The HSCIC is a special health authority established under the National Health Service Act 2006 and directions made thereunder by the Secretary of State for Health. The Department of Health is regarded as a controlling related party.

During the year the HSCIC has had a number of material transactions with the department, and with other entities for which the Department of Health is regarded as the parent department. Transactions with these organisations include the provision of software enhancements, maintenance and support, seconded staff, training courses and conferences.

Listed below are those related parties where either the transactions or the balance is in excess of £5,000.

No related party transactions were noted with key management other than remuneration and expenses as disclosed in the remuneration report.

	Amounts payable at 31 March 2012 £000	Amounts receivable at 31 March 2012 £000	Income in 2011/12 £000	Expenditure in 2011/12 £000
Department of Health	252	1,898	4,302	975
Special Health Authorities				
NHS Business Services Authority	76			101
NHS Institute of Innovation and Improvement		95	281	
NHS Litigation Authority		4	44	17
Health Protection Agency		1	7	53
National Institute for Health and Clinical Excellence		8	8	
Strategic Health Authorities				
London Strategic SHA		10	10	
South West SHA			40	
West Midlands SHA		41	41	
With English Primary Care Trusts				
Bradford & Airedale PCT			62	
Dorset PCT		18	25	
Greenwich Teaching PCT			6	
Hampshire PCT			52	
Lincolnshire Teaching PCT		85	85	
Portsmouth City PCT			6	
South East Essex PCT				
Western Cheshire PCT	7			7
NHS Trusts				
Imperial College Healthcare NHS Trust			16	
North Staffordhire Combined Healthcare NHS Trust				109
West Middlesex University NHS Trust	14			7
NHS Foundation Trusts				
Barnsley Hospital NHS Foundation Trust			78	
Calderdale & Huddersfield NHS Foundation Trust	13			26
Christies Hospital NHS Foundation Trust	9			9
Guys And St Thomas NHS Foundation Trust	32			142
Heart of England NHS Foundation Trust		9	9	
Leeds Teaching Hospitals NHS Trust	3			26
Leicestershire Partnerships NHS Trust				45
Moorfields Eye Hospital NHS Foundation Trust	18			73
Newcastle Upon Tyne Foundation Trust	2	4	8	
North Cumbria University Hospitals NHS Trust				25
Salford Royal NHS Foundation Trust			65	
South Tees Hospitals NHS Foundation Trust			1	29
Southampton University Hospitals Foundation Trust				68

21 Financial instruments

As the cash requirements of the HSCIC are met through grant-in-aid and programme monies provided by the Department of Health, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the HSCIC's expected purchase and usage requirements and the HSCIC is therefore exposed to little credit, liquidity or market risk.

a) Market risk

The HSCIC was not exposed to currency risk or commodity risk. All material assets and liabilities were denominated in sterling. The HSCIC had no significant interest bearing assets or borrowings subject to variable interest rates, hence income and cash flows were largely independent of changes in market interest rates.

b) Credit risk

Credit risk arises from cash and cash equivalents on invoices raised to customers for services provided and for monies received to cover programme activities. Most high value debts relate to balances with the Department of Health and other related bodies against purchase orders and thus do not represent a significant credit risk. The HSCIC had a number of small external receivables and therefore disclosure of the largest individual debt balances were not considered in the evaluation of overall credit risk.

Movement in the allowance for doubtful debts

	2011/12 £000	2010/11 £000
Balance at 1 April	111	8
Impairment losses recognised	–	103
Impairment losses reversed	(101)	–
Balance at 31 March	**10**	**111**

The allowance for doubtful debts is a specific provision determined on an individual debt basis. The expense in the year relating to related parties amounts to £2,560

The table below shows the ageing analysis of trade receivables:

	Current £000	Less than 30 days overdue £000	31-60 days overdue £000	61 and over days overdue £000	Total £000
At 31 March 2012	1,770	1,771	269	70	3,880
At 31 March 2011	2,562	846	4	62	3,474

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The HSCIC did not hold any collateral as security.

c) Liquidity risk

Management manage liquidity risk through regular cash flow forecasting.
The HSCIC had no external borrowings and relies on grant-in-aid from the Department of Health for its cash requirements and was therefore not significantly exposed to liquidity risks.

The table below analyses the HSCIC's financial liabilities which will be settled on a net basis in the period of less than one year. The carrying value of financial liabilities was not considered to differ significantly from the contractual undiscounted cash flows:

	31 March 2012 £000	31 March 2011 £000
Current liabilities	10,080	11,043

22 Events after the reporting period ended

In accordance with International Accounting Standard 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue.

On the 24th May 2012 the Secretary Minister of State for Health confirmed that the new HSCIC will house the future IT services delivery function formerly undertaken by the DH Informatics Directorate. This will take place from 1 April 2013.

The impact on the HSCIC accounts will be significant as the value of assets and turnover is likely to be significantly greater than the HSCIC.

23 Prior period adjustments

Certain prior period balances have been reclassified so they are on a comparable basis with the accounting treatment adopted in the current year in line with IAS28:

- expenditure on system developments has been reclassified as development expenditure within intangible assets to better reflect the nature of the expenditure. This expenditure was previously described as assets in the course of construction within property, plant and equipment
- the opening depreciation for information technology within property, plant and equipment has been increased by £166,000 and the opening amortisation for information technology within intangible assets has been decreased by £166,000 to amend a misstatement arising following a transfer of assets
- the analysis of non staff costs has been amended in order to provide a more meaningful analysis. In particular, the bad debt charge has been separately disclosed and the personal IT equipment analysis has been merged with IT maintenance and support
- the accrual for capital expenditure has been reallocated from accruals to other payables to be consistent with the Department of Health accounting treatment.

24 Authorised date for issue

The HSCIC's Annual Report and Accounts are laid before the Houses of Parliament by the HSCIC.

IAS 10 events after the end of the reporting period requires the HSCIC to disclose the date on which the Annual Report and Accounts are authorised for issue.

The authorised date for issue is 26 June 2012.

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ISBN: 9780102977448

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